

CURRENT HISTORY

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The Navy America Needs

By MELVIN F. TALBOT
Lieutenant Commander (SC), U. S. N.

How large a navy does the United States need? The usual answer is, "An adequate navy," but adequate for what? Naval policy in the polite language of diplomacy declares that, "in conformity with treaty provisions," America should maintain a navy of "sufficient strength to support the national policies and commerce and to guard the continental and overseas possessions of the United States."

In the face of so clear an official statement, it would appear the boldest presumption to ask for further explanations, and yet, upon closer analysis, the naval functions listed become meaningless. Logically, navies have only one reason for their existence—success in the next war at sea. All other tasks are subordinate to this single and supreme purpose, and all are contained therein. When we prepare for war, we prepare for coast and commerce defense, for the support of American policies and for the protection of overseas possessions. Unlimited preparation, however, is no longer allowed. Preparedness for war

must now conform to the limits of the London and Washington treaties. To attain the navy which by agreement forms our quota of the balance of world sea power is today and will long continue as the be-all and end-all of American naval policy.

But what are the implications of each of the purposes listed in the official statement of our naval policy?

"To support commerce." Surely this would seem at first sight a peacetime function, a rightful and merciful duty to be performed without hostilities against, but rather in alliance with, other navies. In reality, however, it is hardly a naval function. Anti-pirate police on the Yangtze, though assigned to naval ships, is essentially river-police duty. It necessitates specially designed gunboats. Were it our only problem, we could scrap all other types. Battleships like the Maryland are not built to protect commerce in times of peace, nor are cruisers like the Houston. They are built to sink other Marylands and other Houstons in the hour of battle. Surely the statement of American

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naval policy implies far more than anti-pirate police, when it speaks of the support of commerce as a guide to naval adequacy.

What of the protection given to American trade against revolutionary disturbances in Central and South America? It is an arduous duty requiring the employment of naval ships and the service, and often the lives, of sailors and marines. Here, again, the use of force is not primarily a naval task. Chaos or tranquillity in the countries to the south may possibly dictate the size of the Marine Corps or even the number of transports kept in commission, but it does not concern the active combatant fleet. Swift cruisers, however excellent they may be as emergency transports, are not built as such. American traders in areas of chronic revolution are fortunate that these ships are ever ready to furnish them protection and support, but this duty is extraneous and essentially non-naval. It cannot logically be used as an argument for the maintenance of the present establishment. Let us make an end of half-truths. Battle fleets are not built to support commerce against banditry, piracy, or revolution; they are built to fight other battle fleets in tremendous and, please God, impossible wars.

"Support of commerce" might be taken to mean the extension and encouragement of shipping and foreign trade, but here we are dealing with economics and not with armed conflict. It is true that during the four centuries since the Age of Discovery, centuries that witnessed the expansion of Europe into the Western Hemisphere, Africa and parts of Asia, the sea-borne commerce of the great maritime nations was often established, protected and extended by the actual use of armed force. Behind the East India Company stood the ships of the line. Quick wealth was to be had, new lands to be settled, ancient empires to be pillaged. "What we want," wrote Monk, "is more of the

Dutch trade!" Back of the navigation acts stood the fierce fleets of the Puritan Admirals and Generals at sea.

Today times have changed, even if the terminals of the Panama Canal and the South Manchuria Railway have the sure protection of naval forces. The old conditions of monopoly and exploitation abroad have, for the most part, passed into history. Within the few remaining areas of continuous disturbance, the opportunity to buy, sell and lend may still be more readily and more fully granted to the nations that are strong at sea. Exactly how far the channels of trade are thus diverted from their normal course is a matter of opinion. It is far from certain that today "trade follows the flag," supported by a powerful navy, in preference to the salesman who offers the best bargain, sells most cheaply, buys at the best price and lends at the lowest interest rate. Not by interpreting support of commerce as its extension and encouragement shall we find a criterion of naval adequacy.

There is another and more important support which the navy can give to commerce—the vindication of neutral rights. But here the problem is one of war—or the threat of war—rather than of commercial policy. Neutral rights have been in the past and will be in the future enforced against the conflicting rights of belligerent blockade only in so far as the blockader fears the strength of the neutral navy or, more specifically, its alliance value to his enemy. Neutral merchantmen and neutral non-contraband cargoes will pass the far-flung forces that seek to close the seas by an illegal extension of blockade not because of the strength of their immediate cruiser escort but because of the might of the entire battle fleet of which these cruisers are but a detached unit. Had the United States wished to push its case against the "Kirkwall Practice" in 1916, the smallest gunboat would have been as fitting an escort for a

test voyage as the most powerful squadron of battleships. Either would have symbolized the strength of the American fleet as a possible ally of Great Britain's foes.

Vindication of neutral rights, like every other essentially naval function, rests solely on potential wartime strength. The problem of neutral rights remains one of international law, national policy and, in the last analysis, naval preparedness. In these terms it can be understood; in terms of the support of commerce it is meaningless. Actually, the support of commerce cannot be taken as a guide to naval adequacy. The need for fighting ships and naval bases can be measured only by the likelihood of war and the strength necessary to win. The American Navy, built for victory in war, as far as such a fleet is possible under present treaty restrictions, will more than assure American commerce all possible support in times of peace, whether against pirates at Woosung, against rebels at Managua or against the complete blockade that might be imposed in a future war in which sea power served as the avenging sword of the League of Nations. This naval force will be adequate or inadequate not by its ability to support commerce but rather by its power to achieve victory.

"Support of commerce" really means wartime protection of sea-borne trade—a definite and important function of maritime strategy. The weapons of sea power are like the trident and the net of the Roman gladiator; with the blows inflicted by a battle fleet the enemy is crippled; by cruiser blockade and commerce control he is slowly strangled. The long duration and vast proportions of the last war at sea, the lack of any decisive engagement between the two main fleets and the cruel inroads made on Allied shipping by the counter-blockade of the German submarines have tended to emphasize commerce protection and commerce de-

struction as the great strategic objects of war at sea.

How far conditions in the future would be analogous it is impossible to predict. The protection of sea-borne trade while destroying enemy commerce may again prove to be the final and most telling phase of naval war. Especially is this true of conflicts involving those nations most vulnerable to blockade—*island empires* whose sea communications extend into distant waters. From these considerations spring the historic British naval philosophy which demands "cruisers on all stations" over and above those necessary as supporting light forces attached to the battle fleet. But here again we are considering war, not peace. Strategically, the support of commerce is a naval problem dictating the numbers and the types of cruisers regarded as necessary for some measure of safety against enemy raiders in home waters and at focal points along trade routes.

If the consideration of commerce support brings us back to preparedness for war as the only logical measure of naval needs, what is meant by "support of policies"? Is this, too, a function not of peace but of war? Fundamentally, it is. Some policies need no support; their inherent justice recommends them to acceptance by all nations. But there are policies that have in the past thwarted or may in the future thwart the ambitions of other powers. Whatever support the navy gives to that part of American diplomacy which needs it is given through the veiled threat of war.

In certain areas the basic tenets of American foreign policy are unquestioned; and in these same areas the fleet rules supreme. No nation thinks seriously of disputing what might be called the "Caribbean Policy" of the United States. By the accident of geography and the course of past events the Caribbean has become a zone of American control. Here the maintenance of some semblance of

stable government is an American duty and right. The United States pays the price and assumes the responsibility arising from the assertion that no other nation shall collect debts or protect its nationals by injecting its naval power into this sphere. For better or for worse we have taken unto ourselves the defaulted bonds and all the troubles of ineffectual governments. No one disputes our right to do so, for the region to which our Caribbean policy applies is within striking range of the United States Fleet. We need not threaten war, for none thinks to challenge us. The Monroe Doctrine, of which the Caribbean policy is but one phase, rests on the ability of the American fleet to maintain it, and not on its acceptance as an integral part of international policy.

In contrast, other aspects of American foreign policy are subject to constant "re-examination" and "reinterpretation," especially those that concern regions beyond our control, where they seem at times to conflict with the equally vital policies of other nations. Never have the issues been pushed to the point of war. Should diplomacy ever fail in the search for a just and peaceful solution, and the questions involved be aggravated and embittered by extraneous issues and unfortunate incidents, as was the question of impressment before 1812, American policies would become the gage of battle and would succeed or fail with the success or failure of American arms. Navies as supports of diplomacy are strong or weak in direct proportion to their readiness for victory against those who threaten the aims of that diplomacy. Unless we are to content ourselves with pleasant but meaningless maxims, we must, therefore, abandon "support of policies" and return to preparedness for war as the only tenable naval formula.

"To guard the continental possessions of the United States" is a self-evident precept of naval policy. It

implies a possible state of war and threatened invasion. Even the most enthusiastic advocate of disarmament would scarcely question the wisdom of standing ready to protect the American coasts. In his reply to the attacks of the Navy League, President Hoover used this basic need to refute the allegation that the fleet had been starved and neglected. "We now possess," he declared, "sufficient naval strength to assure that no foreign soldier shall land upon our shores." Defense against invasion is, in fact, the basic requirement of fleet strength, a kind of irreducible minimum which is directly related to the possibility of invasion and to the power of the most obvious invader. A purely defensive concept, it involves a fleet less strong at sea than the one usually advocated.

"To guard the overseas possessions of the United States" is a far different problem. A navy slightly more powerful than that necessary to protect the continental coasts could also guard the Caribbean and the Canal, regions within American naval control. Even Hawaii might be included in the protective zone of this purely defensive fleet. But the Philippines lie far beyond the widest limits of our striking range and close to the vital strategic areas of the Japanese Navy. Almost from the day of their capture from Spain these islands have been hostages to fortune. To be able to guard them means nothing less than to achieve preponderance sufficient for victory in the Western Pacific, a definite naval preponderance securely based in the Orient. Today this can be won only by the abrogation of the naval treaties and the renewal of competitive building with all its dangers.

The safety of the Philippines, therefore, merges into the grand strategy of a Pacific war, in which the object would no longer be the immediate defense of the islands but rather the defeat of the enemy. In reality, the question of Philippine protection is but one phase of a very complex war

problem, a struggle that would involve almost untold sacrifices in treasure and in blood. Perhaps the islands would become the battleground of empire. Perhaps the dictates of war would lead American arms elsewhere. But as the war went, so would the islands go. Their defense could be bought for no less than the cost of victory in the Far East.

It is not easy to translate the formula "readiness for war at sea" into terms of a definite naval establishment. Who is to be the enemy? Where and with what forces must the next war be fought in order to be brought to a swift and victorious conclusion? What will be the attitude of neutral nations? How far will preparations for victory be offset by the counter-preparations of the prospective foe? And last and most important, what are the implications of the Washington and London naval treaties? These questions must be answered before the United States can define the fleet strength it seeks to create.

At the outset certain possible wars can be passed over as of such minor importance that even the slightest naval preparation is sufficient to assure victory. Some others would be either impossible or of such an extent that preparation for victory or even preparation against defeat would entail too great an effort. It can be safely assumed that the United States will always have strength sufficient for victory if the only enemy is one of the minor navies. Likewise it can be accepted that never in times of peace will America be prepared to face, single-handed, an alliance of the other great naval powers. The problem is thus one of a possible war in the Atlantic against the strongest Atlantic navy or in the Pacific against the strongest Pacific navy.

It might be well to pause in order to make it perfectly clear that the consideration of these wars does not mean that we think them likely, much less that we think them desirable. War against Great Britain is often

regarded as unthinkable, and so it is to all who value the continuance of that civilization based on the ideal of personal freedom to which the Anglo-Saxon tradition has contributed so much. No greater calamity could befall the war-weary and impoverished world. It would be a "last dim, weird battle of the West," sealing the doom of "the goodliest fellowship * * * whereof this world holds record," the fellowship of a century of peace, of a common language, a common tradition and a common concept of international justice. But while the two almost equal fleets exist, those whose duty it is to plan for all contingencies, however improbable, cannot completely ignore a possible conflict.

Similarly in the Pacific, despite the fact that there is no reason for war today nor can there ever be as long as the people and the statesmen of Japan and the United States are actuated by a modicum of good-will or even of common sense, the very existence of the two fleets and the historic and sometimes seemingly conflicting policies of the two nations must of necessity lead both to consider the possibility of armed conflict in evaluating naval needs. To discuss a certain war does not mean to wish for it. It means exactly the opposite. A carefully prepared war plan, picturing, as it must, in cold and technical terms the infinite waste and suffering involved, would be a document which would, if published, prove a far greater deterrent to war than a sheaf of treaties or a library of anti-war literature.

If the possibility of wars in the Atlantic and the Pacific are considered, the first thought that arises is of a war on two fronts, or at least the necessity of guarding one while fighting on the other. What if the Anglo-Japanese Alliance were to be revived? Must America, to assure not only victory but her very existence as a great power, plan for this eventuality? The obvious answer is that such preparation is beyond our will,

if not even beyond our capacity. The building program conceived during the World War was bringing the United States to a position on the eve of the Washington Conference which would have given naval preponderance in both oceans. Those few who regret the loss of that opportunity fail to consider the ominous counter-preparations that were even then in progress in Great Britain and Japan.

The super-Hoods had reached the blueprint stage. Those ships and still others would have been built had we finished the 1916 capital-ship schedule. To doubt this is to doubt the determination of the English race to defend their seas where "never a wave of all her waves but marks the English dead." Something of the same stern resolve to control her vital home waters was apparent in Japan. The "eight-eight" program was well started, and other powerful ships were contemplated. The Japanese, who more than almost any other race owe their very existence as a nation to the sword, were ready to meet the cost of a navy whose ratio to the American would have been about the same as the present ratio of the two fleets. This is their margin of safety. And, finally, there was the Anglo-Japanese Alliance.

As in 1922, so today, even were we free to resume unlimited construction, it seems unlikely that we could succeed in outbuilding a renewed Anglo-Japanese Alliance. An attempt to do so would probably bring on the very war which American construction had sought to avoid. There is neither peace nor security for the United States in the pre-war policy of unlimited naval expansion which was wisely abandoned in 1922 for an equal place with Great Britain in a new balance of world sea power.

Granted the eventual material equality with the British fleet which forms the basis of the Washington and London treaties (an equality we do not now possess), what would be the probable outcome of war in the

Atlantic? No one can definitely say. But, as one watches the two fleets advance and retreat over the strategic charts in mimic wars, sees them scatter for scouting and for commerce protection and concentrate for terrific battles on the game board, and as one analyzes the somber diagrams of comparative damage, the conclusion that arises is that an Atlantic war cannot be won by either of the fleets of Britain and America. It could be won only by an accumulation of naval power through new building and through alliances which would finally give to one contestant the preponderance necessary for victory.

If victory should crown American arms, our success would have come in part from our ability to add new and mightier ships to our fleet and, even more, as a result of alliances with which our statesmen had reinforced our strength at sea. Without allies we can hope for nothing beyond the lame and impotent conclusion of dreary and sterile campaigns. When reviewed in the cold light of naval research, our policy of complete and glorious isolation no longer seems a sure shield for the future. The time may yet come when we shall have need of powerful friends. The most bigoted isolationist, were he carefully to study the implications of any major war in which we must fight single-handed, would relegate to the dead past all notions of our vaunted self-sufficiency.

A fight to the finish between the two equal fleets would be sheer madness. It would leave the victor too badly damaged to be able to utilize the advantage for which his Pyrrhic victory had been won. It would involve losses so serious as to surrender Great Britain's vital waters to the Mediterranean navies, while, in the Orient and over the whole Pacific our damaged fleet would be too weak to question Japan's complete control. Even were the Admirals willing, statesmanship could not and would not permit a decisive fleet battle in the Atlantic. Success on the field of

battle that leaves the victor powerless to garner the fruits of victory is but a barren and purposeless calamity. Victory presupposes not parity but preponderance. It was with a clear understanding of this great military truth that Secretary Stimson wrote: "Equality in fighting strength is a formula for peace, not for war." With fleet parity, war against Britain is in reality unthinkable even to the most extreme Anglophobe militarist. The strongest assurance of peace today lies in the creation and maintenance of the treaty balance of naval power—"in conformity with treaty provisions." That alone gives meaning and substance to American naval policy.

In the Pacific the United States is allotted by treaty, not parity, but an approximate 5-3 ratio of superiority. If eventually we attain this ratio, does it promise easy and immediate victory? Again a close examination of all the factors involved shows that single-handed we would even then be powerless quickly to vanquish the squadrons that today guard Japan's island empire. More important than the much-discussed fleet ratios was the provision of the Washington treaty by which America renounced the right to extend her Far Eastern bases. As a vital part of the agreed division of sea power, we gave into Japanese hands substantial control of the Orient. Never, except immediately before the Washington conference, had we thought seriously of disputing that control.

As in the Atlantic, so upon our other front, if reason and moderation are destined to fail and war must come, victory will be gained either as the result of prolonged and titanic operations by which our whole national strength is finally marshaled in distant seas, or, more quickly and more mercifully, by our present navy allied to other maritime powers in a common cause. Secure in her own home waters, Japan has by great sacrifices achieved the mastery of the

Far East. Only the flagrant misuse of the position so dearly bought can endanger her future by arraying world opinion against her. During the past century, we have claimed and exercised control in the areas covered by the Monroe Doctrine, while Britain's fleet has ruled the northeast Atlantic and the Mediterranean. For both nations it seemed the culmination of a manifest destiny. Today in the Orient similar forces are working themselves out. The strategic charts show three definite naval spheres where the controlling fleet is secure against any one of the others. We can no longer think of war as merely a question of armed strength, of tons and guns. With the balance of power established by the naval treaties, the problem has passed into the domain of statesmanship.

Here, then, is the answer to our question, "What is an adequate navy?" It is the completed fleet which forms our share in the agreed apportionment of sea strength. It is the naval establishment adequate to defend our zone of control and by its mere existence to act as a counterweight to foreign fleets in the world balance of naval power. Its limits today in numbers and types are those of the Washington and London treaties. A lesser fleet imperils the balance. There is no other measure. Support of commerce and policies, defense of coasts and overseas possessions—none of these oft-repeated tasks really dictates naval adequacy. All are relative to readiness for war.

The logical and absolute measure, "readiness for victory in war at sea," has itself been modified by the restraining hand of diplomacy. Adequacy can no longer be defined as adequacy for victory. In the cause of peace we have given and taken pledges that embody in naval ratios the equal and acknowledged right of each nation to defend its own narrow seas. No other solution seems possible. Neither national pride nor historic claims to an ancient and dearly bought preponderance nor inherent wealth is

today accepted as justification of a threatening superiority. To one who studies the history of the last half-century and notes how the theories of Captain Mahan and the restless energy of that great naval materialist, Admiral Sir John Fisher, piled ship on ship, each mightier than the last, in the mad race that led to August, 1914, a final balance of naval power seems to be a logical and almost preordained answer to the persistent problem of competing armaments. It is the middle road between the honest urge of sailors for the fighting ships that promise ready victory and the deep desire of all peoples that a troubled world shall at last find peace.

Unless war comes to abrogate all treaties and to upset all balances, these ratios, on progressively lower levels, seem destined to remain as the basis of a permanent division of maritime power. With a logic that transcends purely naval reasoning, each of the three great sea nations has conceded to the others the right to a fleet sufficient to defend its vital areas unless it be attacked by the combined might of a naval alliance. Surely we can trust that such an alliance will be formed only if aroused world opinion is forced to act through the agencies that seek to array all peoples against any power or group of powers which may break its pledged word by again employing aggressive war as an instrument of national policy. The soldiers and the statesmen have joined hands. The naval balance is part and parcel of those forces in post-war diplomacy which seek to draw the nations together in common cause against war.

There is a school of naval thought which is reluctant to accept the full implications of this balance of sea power. The fairness of America's quota has been honestly and repeatedly questioned. Each succeeding treaty has been criticized as a surrender of national interests and even

as an abrogation of sovereign rights. No one can deny that unlimited preparation for war is inherent in sovereignty. But it is not a right which a nation can exercise without arousing the suspicion and eventually the hostility of those against whom its armaments can be used. Beyond a certain point preparations inevitably beget counter-preparations—and war. In the sphere of naval armaments, the regions of unrest are those where unlimited competition still exists—competition either for superior fleet strength or for new types of fighting ships. The relatively high total of French submarine tonnage, half again as much as that allowed the three strongest navies, cannot be overlooked by the British. The novel German "pocket battleships" are to be countered by French battle cruisers of a new design, which are "regarded with interest" by those charged with Great Britain's maritime defense. Unrestricted Franco-Italian rivalry today sets the standard for Britain's navy and, as a result, for the American and Japanese fleets. The cause of world stability, which means increased security for each and every nation, would be well served by the inclusion of all navies in the balance of power.

Until the time shall come when all countries, the military as well as the naval powers, are genuinely willing to put away the sword, national security and America's position as a great nation will continue to demand that naval adequacy which is measured by our quota in the world balance of naval power. Until the day when navies shall disappear we can well follow the wise advice given to Henry VIII, founder of Britain's sea power—"to nourish trade and to keep the Admiralty, that you be master in your Narrow Seas."

[The opinions and assertions contained in this article are the private ones of the writer and are not to be construed as official or reflecting the views of the Navy Department or the naval service at large.]

Japan Defies the World

By TYLER DENNETT

Professor of International Relations, Princeton University

"**M**ANCHURIA belongs to us by right," shouted Yosuke Matsuoka from the tribune of the Assembly of the League of Nations. It was a word of confession not in the prepared manuscript which the Japanese representative was reading. In the rush of emotion Matsuoka abandoned his more carefully phrased address and spoke, for the moment, freely. Thus he abandoned also the pretense which Japan has sought to maintain for more than six months, that Manchukuo is an independent State. The Japanese admission was not necessary. The Assembly had met on Feb. 24 to approve the report of the Committee of Nineteen. The vote was already determined. No one has ever seriously entertained any other idea than that Japan claims Manchuria as hers by right.

The report of the Committee of Nineteen, prepared under authorization of Article XV, paragraph 4, of the covenant after all efforts at conciliation had failed, contained the following recommendations: (1) The covenant of the League, the Pact of Paris and the Nine-Power Treaty of Washington should apply to the settlement of the Manchurian dispute; (2) the member States should not recognize "any situation, treaty or agreement" which might be brought about by means contrary to treaty obligations; (3) military pressure should cease; (4) the settlement of the controversy should follow the ten recommendations of the Lytton report; (5) negotiations between Japan and China should be carried on under the supervision of the Assembly of the League.

Thirteen members of the League

were unrepresented when the vote was taken, ten of them South American countries. Siam abstained from voting. Japan voted "No"; forty-two, including all the great powers, voted "Yes," thus placing upon Japan such a censure as never before rested upon any sovereign State.

Matsuoka rose and with firm step marched from the Assembly, his assistant following. Later in the day the Assembly passed a resolution to appoint an advisory committee "to follow up the situation." The committee will comprise the old Committee of Nineteen with Canada and the Netherlands added. In it the great powers are, of course, greatly in the minority. The resolution also provides for inviting the United States and the Soviet Union to cooperate. The Assembly is to remain in session subject to the call of the president.

The following day Senator Cordell Hull issued a statement forecasting in broad terms the principles of the proposed foreign policy of the new Democratic administration in which he had just been designated as Secretary of State. Specific questions were mentioned only in general terms, but emphasis was laid upon "the observance of both the letter and the spirit of treaties" and upon "sane and realistic international cooperation." These two principles are as equally applicable to war debts and tariff questions as to the Far Eastern situation, but it is difficult to see how these two policies could be applied to Europe and not to the Far East. Certainly there were no words of comfort for Japan in the Hull declaration. Promptly Secretary Stimson replied to Sir Eric Drummond that with the general conclu-

sions of the report of the Committee of Nineteen "the American Government is in general accord." Maxim Litvinov, Russian Foreign Commissioner, left Geneva for Moscow on Feb. 26 to place the report and the invitation to join the new committee before his government.

Obviously, we have reached the end of a phase of the Manchurian affair.

Beginning at Mukden, on the morning of Sept. 19, 1931, Japan executed a brilliant military campaign which in seventeen months has placed her in possession of all the railway lines and main thoroughfares from Shanhaikwan, just south of the Great Wall, to a point well above the Chinese Eastern Railway in Northern Manchuria. Japan also has carried on military campaigns from east to west which give her presumptive control from the Korean border to Manchuli near the Siberian boundary. The effectiveness of the control actually exercised is in some doubt. The territory is about the size of Germany and France combined. Japan has a thin line of troops scattered along the railways. Just now, in the dead of Winter, Manchuria is quiet; what it will be in the Spring remains to be disclosed. General Honjo is believed to have confessed that pacification will require ten years—four months had been the time stipulated in the Japanese military schedule.

There was set up and recognized by Japan on Sept. 15, 1932, the so-called State of Manchukuo. Henry Pu-yi of the line of the Manchu Emperors of old China was installed as Regent. He is surrounded by a host of Japanese military and civilian advisers. It is commonly believed that the Japanese military plans call for the extension of the new State to include North China as far as the Yellow River and then its transformation into a refurbished, if somewhat shrunken, Chinese empire with Henry Pu-yi re-established on what is left of the old peacock throne.

The Chinese have not yet fought a

real battle to retain or regain Manchuria. The young Marshal Chang Hsiao-liang, the so-called War Lord of Mukden, with his relatives, retainers and household, each carrying away all he could lift, promptly retreated to Peiping, where they continue mournfully to look back, like Lot's wife, upon the scene of their former prosperity. Far from acting like a war lord, Marshal Chang has been more like a pillar of salt. Nor has General Chiang Kai-shek from Nanking done more. In Manchuria guerrilla warfare, raids and assassinations have continued, but there has been nothing to resemble organized defense. It is claimed by the Japanese that the 2,000,000 or more Chinese "irregulars" in Manchuria have received support from Marshal Chang and by voluntary contributions from private citizens. This support, however, cannot be very considerable. There is no way by which it could have been supplied in quantity.

One exception should be made to this broad statement as to the supine attitude of the Chinese Government toward the Japanese invasion. Late in January, 1932, the Japanese attacked Shanghai with an expeditionary force. The city was gallantly and ably, although not successfully defended, not by Marshal Chang who remained secure in Peiping nor by General Chiang who was so busy with the "Communists," but by General Tsai Ting-kai and the famous Nineteenth Route Army of South China. Japan seems now to look upon the Shanghai episode as a bad nightmare from which she withdrew with no glory in May and June, 1932. Before leaving, however, she had done damage estimated at \$1,500,000,000 Mex., and there were no less than 24,000 Chinese killed, wounded and missing. There was an even greater damage to Japanese business and prestige. The Chinese boycott was renewed and is more rampant than ever; the Lytton Commission, which arrived before the Japanese evacuation, viewed the de-

struction and gritted its teeth. It is notable that in the discussions at Geneva in the last three months the Japanese representatives have rarely alluded to the Shanghai incident. It was an expensive excursion for Tokyo, a default for Peiping and Nanking, but something of a victory for the Chinese since it demonstrated to the world that somewhere in old China there remains a promising vitality and virility.

The bare chronicle of military events is not at all revealing. The conflict in the Far East is far less military than political. Indeed, politically, the Manchurian affair takes on an importance comparable with nothing else since the adjournment of the Paris Peace Conference. So much has it become a matter of international concern that never before has there been an international event anywhere in the world for which there has been so soon available so much authentic information. Therefore, when we go behind the military chronicle to inquire as to the political facts, we may feel confident that our information is trustworthy and substantially complete.

Immediately after the outbreak at Mukden the Chinese Government made an appeal to the League of Nations. Both the Chinese and the Japanese made available at Geneva a great many official statements of importance. These were issued in a variety of ways through League publications. On Dec. 10, 1931, the Council, acting on a proposal made by Japan, decided to appoint a commission to make inquiry on the spot. Thus eventually came into being the famous Lytton Commission. In the Far East both the Chinese and the Japanese Governments prepared extensive memoranda for submission to the commission. Subsequently, these official statements by the two contestants were published. The commission itself made a judicial report in two volumes. The Chinese and the Japanese were invited to submit memoranda in re-

buttal. These likewise were published. There was, in addition, extended debate in the Special Assembly in November, 1932. The Committee of Nineteen, first created by the Assembly on March 11, 1932, and converted into a committee of conciliation on Dec. 6, 1932, reviewed the material already available and prepared a further report which in a spectacular manner was broadcast to the world on Feb. 17. (The complete text was published in *The New York Times* of Feb. 18, 1933.)

The official documentation now available to the public occupies about a foot on a library shelf. In addition, there is a large crop of pamphlet literature, some of it sheer propaganda, but a substantial proportion of it represents impartial, judicial statements of great value by private organizations. The newspaper reporting has throughout been superb. *The New York Times* alone, from Sept. 1, 1931, to Feb. 28, 1933, printed 1,707 columns of news on the Manchurian affair.

Notwithstanding the vast mass of information available, the main points in the controversy are few and not difficult to state.

1. From the outset Japan has assumed the position that the action taken in Manchuria, both the immediate act of seizing Mukden and, subsequently, the military campaigns, including the advance into Jehol, were in national self-defense. In a note to the American Government on Sept. 24, 1931, and in telegrams circulated the same day at Geneva, Japan asserted that she had acted only to insure safety for her nationals. After an exhaustive inquiry by the Lytton Commission, the latter rendered the verdict that the initial military operations of the Japanese troops "cannot be regarded as measures of legitimate self-defense." In order to secure unanimity within the commission, so it is understood, there was added the qualifying statement: "In saying this the commission does not exclude the hy-

pothesis that the officers on the spot may have thought they were acting in self-defense." The committee of conciliation, having reviewed the Lytton report and such additional facts as were made available to them subsequently by the Chinese and Japanese Governments, reported that "the military measures of Japan as a whole developed in the course of the dispute" cannot be "regarded as measures of self-defense." This verdict, not merely on the initial Japanese action but on the entire course of events for sixteen months, was adopted by the Assembly on Feb. 24, 1933.

2. Japan officially contends that the "Government of Manchukuo," which Japan recognized on Sept. 15, 1932, represents a spontaneous, independent movement of the Chinese people. The Lytton Commission reported that the independence movement in Manchuria "was only made possible by the presence of the Japanese troops"; that the new government could not be maintained without the continued support of the Japanese military, and "there is no indication that this 'government' will, in fact, be able to carry out" many of its projected reforms. The committee of conciliation endorses this verdict and the Assembly has recorded in the most formal way its approval of the "non-recognition doctrine."

3. The Japanese have contended that the boycott, although directed, at least in part, by the Kuomintang, is, in fact, under the direction of the Nanking Government through the close association of the one with the other. The Lytton Commission did not clearly answer the question whether the boycott as used by China is, in fact, a violation of international law. The Committee of Nineteen, however, rendered the verdict that, subsequent to the events of Sept. 18, 1931, the boycott "falls under the category of reprisals." This verdict leaves the Shanghai expedition without justification in international law and normally would expose Japan to enor-

mous claims for reparations. As for the use of the boycott before the present imbroglio, the committee merely comments that it "could not fail to make a situation which was already tense still more tense." The attitude of the League toward the use of the boycott cannot fail to be interpreted by the Chinese as an encouragement to continue its use. Presumably it will in the future become an increasing factor in the Chinese opposition to Japan.

4. The Japanese, as signatories of the covenant of the League of Nations, undertook "to respect and preserve as against external aggression the territorial integrity and existing political independence of all members of the League." The Japanese contend that Article X is inapplicable to the present situation since Japan by recognizing Manchukuo has merely accepted an "internal development" of the people of Manchukuo. Japan declares: "If by internal development the territorial integrity of a member is impaired, there is nothing in the covenant to interfere with the right and duty of members to recognize that impairment." The Lytton Commission, by declining to concur in the claim that Manchukuo is, in fact, independent, rejected the Japanese brief. The Assembly likewise has rejected it and reiterated the engagements of Article X.

5. The Japanese have to meet the still more awkward provisions of Article XII of the covenant in which it was agreed that members of the League would submit either to arbitration, to judicial settlement, or to inquiry by the Council any dispute likely to lead to a rupture, and would not resort to war until three months after the award, decision or report. The Japanese contend that "the application of what may be called 'peace machinery,' such as resort to international courts of arbitrators, encounters insuperable obstacles in the case of China. It has been found impos-

sible in the past to make use of these organs even in disputes which did not involve vital interests. The abnormal conditions of China and the fact that the powers refuse, in view of their existence, to modify the abnormal and extraordinary institutions above mentioned is sufficient proof of the impossibility of applying to Chinese disputes the normal 'peace machinery' as constituted at present." This is, in effect, a declaration that Japan believes it cannot obtain justice by arbitration, judicial settlement or through the direct agency of the League. The Lytton Commission rendered the verdict that each of the issues between China and Japan was in itself capable of settlement by arbitral procedure. The Committee of Nineteen went further and declared that "the adoption of measures of self-defense does not exempt a State from complying with the provisions of Article XII." This is an extremely important declaration in international law since its effect is to clarify, and perhaps to offset, the sweeping concession made by Secretary Kellogg when he said: "Every nation is free at all times and regardless of treaty provisions to defend its territory from attack or invasion and it alone is competent to decide whether circumstances require recourse to war in self-defense." Now, four and a half years after this troublesome concession was made, the very powers which endorsed it have, through their representatives at Geneva, brought the doctrine of self-defense back within the control of international law.

6. In the Nine-Power Treaty signed at Washington in 1922 Japan made sweeping engagements not only to respect the sovereignty, the independence and the territorial and administrative integrity of China but also to "refrain from taking advantage of conditions in China to seek special rights or privileges." In the same treaty Japan agreed to confer with the other signatories "whenever a sit-

uation arises which in the opinion of any one of them involves the application of the stipulations of the Nine-Power Treaty." Japan apparently seeks release from the Nine-Power Treaty on the ground that China has ceased to "possess and to continue to possess" one supreme government without which a people are not recognized in international law as possessing statehood. Furthermore, Japan has largely rested its defense upon its claim for special rights and privileges not granted to other States under international law, a claim that Japan in the Nine-Power Treaty expressly agreed to forego. Neither the Lytton Commission nor the Committee of Nineteen has discussed at length the engagements of the treaties of Washington. However, the verdict rendered at Geneva renders Japan as legally defenseless under the Nine-Power Treaty as under Articles X and XII of the covenant.

7. Japan has never formally and expressly been charged with the violation of the Kellogg pact. The sweeping exception voluntarily made by Secretary Kellogg, already quoted, would seem to raise grave legal doubts as to whether Japan can, in fact, be held to have violated the Pact of Paris. However, the Assembly has decided that the settlement of the controversy should be sought only by pacific means. The pact has at least been rehabilitated.

8. Throughout the Lytton report and the report of the Committee of Nineteen there runs the color of another and more serious charge against Japan. Nowhere in the Lytton Commission report was it expressly stated, nor has the Committee of Nineteen gone further. At the heart of both the legal and the political differences, however, is the question of Japan's good faith. It seems to have been in the minds of the members of the Lytton Commission that the Japanese never cleared themselves from the suspicion of complicity in the assassination of Marshal Chang Tso-lin on June 4, 1928. The

Japanese policy in the first year of the present controversy was regarded as essentially provocative toward China. The Committee of Nineteen went further and pointed out the provocative attitude of Japan toward the League itself. Geneva has not overlooked the fact that the outbreak began when the Assembly was in session, that many times Japan professed to a desire to prevent the aggravation of the dispute and yet that the area of military operations has steadily increased. The capture of Chinchow on Jan. 3, 1932, was followed a month later by the attack on Shanghai. The recognition of Manchukuo took place before the Lytton Commission had time to file its report. The campaign in Heilungkiang, resulting in the pacification of the region westward toward Manchuli, appears to have been timed to impress the meeting of the Special Assembly in November, 1932. The attack on Shanhaikwan coincided with the meetings of the committee of conciliation early in January. The new advance into Jehol coincides with the acceptance of the report of the committee by the Assembly. The capture of Chaoyang followed immediately after the vote of censure at Geneva. These recent Japanese movements have to be studied in the light of the Japanese conquest of Korea after the Russo-Japanese War, the presentation of the Twenty-One Demands in 1915 and the Siberian expedition four years later. The Japanese method has been traditionally provocative. If the purpose of the Japanese military in recent months has been to impress the League of Nations with its military prowess, the effect at Geneva appears to have been quite different. The self-esteem of the League of Nations has been touched. The impression is difficult to resist that Japan has become defiant and, furthermore, that she has not acted in even that degree of good faith which is characteristic of the negotiations of civilized States. Japan sought to present an accomplished fact. She has thus abandoned diplo-

macy, first for deceit and then for defiance.

Japan has not yet withdrawn from the League; she has merely withdrawn her representatives from the Special Assembly. She has, however, intimated that she will not be represented at the next meeting of the Council, where, normally, the presidency would fall to the Japanese representative by rotation. The Japanese Government, still torn by dissension, has officially announced no decision on withdrawal from the League. An official statement on the day of the passage of the Assembly resolution, however, broadly hinted that Japan, having failed to find a satisfactory basis for cooperation with the League on affairs in China, will attempt to reach a settlement independently:

"The Japanese Government now find themselves compelled to conclude that Japan and the other members of the League entertain different views on the manner to achieve peace in the Far East, and the Japanese Government are obliged to feel that they now have reached the limit of their endeavors to cooperate with the League of Nations in regard to the Sino-Japanese differences."

In short, Japan has lost heavily thus far in this newest phase of the Manchurian affair. How different it was nineteen years ago when, as Japan took up her position to expel Russia from these same regions, she had not only the aid of an alliance with Great Britain but also the blessing of the United States—and generous credits both in London and in New York!

Without having made positive contributions to the Sino-Japanese controversy in the last sixteen months, the Soviet Government has been constantly recognized as a potential factor of great importance. The result has been greatly to enhance the position of Russia in world affairs, while the Soviet policy, by its restraint,

poise and prudence, has won for itself a degree of respect not previously given to Russia. Indeed, it is hardly too much to say that the Manchurian affair has made the Soviet Government respectable. If Japan were to persist in its tentative policy to withdraw from the League, thus forfeiting its seat as a permanent member of the Council, it is not beyond the bounds of possibility that some day Japan would return to Geneva only to find a Soviet representative in her old seat.

The Soviet Government, had it been so disposed, could have made a great deal of trouble in Manchuria. On the contrary, Soviet policy has been pacific, judicial and purely defensive. To Japan considerable concessions have been made, such as the privilege of transporting troops over the Chinese Eastern, acquiescence in the replacement of Chinese by Manchukuo railway officials, the withdrawal of Soviet trade officials from Harbin, the recognition of Manchukuo consuls and toleration of Japanese occupation not only of Harbin but of large areas of Northern Manchuria which, for twenty-one years, Japan had consistently recognized as a Russian sphere of influence. Last Summer Moscow reached a *modus vivendi* with Tokyo on the old controversy as to the payment for fisheries rights. While during the earlier months of the Manchurian affair the Soviet Union began massing troops in Eastern Siberia, and its relations with Japan were threatening, in December, 1931, it offered Japan a non-aggression pact. The danger of war quickly passed, and although Japan repeatedly rejected the proposed treaty, on June 2, 1932, Premier Saito declared that the Soviet attitude in Manchuria had been "perfectly correct."

More recently there has been a slight change in the situation. The Soviet Government did not cooperate with the Lytton Commission, on which it was not represented, but the latter

almost went out of its way to repeat that in any final solution of the Manchurian affair the Soviet Government will have to be represented. At Geneva Maxim Litvinov, Soviet Commissar of Foreign Affairs, has been listened to with ever-increasing respect. The Soviets resumed diplomatic relations with China on Dec. 12, 1932. The significance appears to be not that China has swung further to the left, not that Moscow has been intriguing at Nanking, but that the hostile attitude of Sir John Simon and of the Canadian representative toward China at Geneva, in December, drove the latter, as so often in the past, into the arms of Russia. Moscow made the approach easier by adopting toward China a favorable attitude at the time when General Su Ping-wen and his troops sought a refuge across the border after their defeat by the Japanese at Manchuli. The relations of Moscow with the anti-Communist government of General Chiang at Nanking are not very stable. The Russo-Japanese dispute over Outer Mongolia is only in abeyance. But Moscow is apparently drawing closer each month to the League of Nations and may be counted upon no longer as a liability but rather as an asset of some value for the restoration of peace in Asia.

Thus far, while in the East it cannot be demonstrated that either China or Japan has as yet reaped anything but loss from the conflict, in the West quite the contrary has happened. As with Russia, so with the League, there has been a distinct enhancement of prestige. Never before have the League members been so much of one mind upon any important issue as they appear to be today. From the beginning it was recognized that the appeal of China must either make or break the League. The action of the Assembly in approving the Lytton report and the recommendations of the Committee of Nineteen has revealed at Geneva a vitality which the League certainly did not possess seventeen months ago, and for the development

of which it has to thank Japan for providing the occasion. The smaller powers, aided by the American Government, have saved the League—notably Czechoslovakia (under the leadership of Edward Benes), Norway, Sweden, Ireland, Spain and Greece (whose representative, Nicholas Politis, demolished the "self-defense" excuse). On the whole, it is clear that the only real loss of prestige in the West has been suffered by some of the great powers, notably Great Britain and France. Even last-minute repentance has not been enough to restore Sir John Simon to the place of leadership which might have belonged to Great Britain. China is not likely to forget how little sympathy she has had from the British official representative. If Great Britain had continued her initial policy, it is possible that the British merchants in China would eventually have found themselves facing another boycott, a prospect which may have had some influence on Sir John Simon. If, in the last year and a half, Great Britain has at Geneva in the Manchurian affair been playing for the balance of power, as in the Salisbury days, the venture has been rather costly. As for the notable change of sentiment among the great powers, no doubt the German situation has been in considerable measure responsible. The powers at Geneva are really rehearsing for another and far more serious affair which they envisage as quite possible at any time within the boundaries of Europe itself.

The situation of the American Government at the close of this phase of the Manchurian affair is as follows:

1. The characteristically American doctrine of non-recognition, first put forward many years ago in South American affairs, and twice before employed in the Far East, has been incorporated definitely into the program of the League of Nations. Stated by Secretary Stimson on Jan. 7, 1932, it was approved in principle by the Assembly on March 11, and

became an assumption of the Lytton report. It was hotly debated again in the Assembly in December, in the Committee of Nineteen in January, and became the cardinal point which led Japan to reject the committee's recommendations. Admitting that the non-recognition doctrine is purely negative in character, it should be realized that, on the other hand, it has served the important purpose of holding open for constructive settlement a question which otherwise might have been long ago settled prejudicially to the League, to the so-called "peace machinery" and, perhaps, to American interests in the Far East.

2. Although at a disadvantage, in comparison with the League, in the legal resources at its command at the outset of the controversy, the United States not only took the initiative but also a more effective course than did the League to oppose the Japanese program. The American Government based its protests upon the Kellogg pact, which, as already noted, has proved to be a far less substantial document than Articles X, XII and XV of the Covenant of the League. The Nine-Power Treaty, while often referred to, has not been directly used by the United States as the basis for calling a conference of the powers chiefly interested in the Pacific. Such a conference would, in the circumstances, have been futile, and a conference of the signatories of the Four-Power Treaty of 1922 would have been even more so. The American Government, therefore, had very little to work with, unless it were to take the initiative in direct coercive measures. This latter possibility was unmistakably rejected by public opinion.

3. The increasing degree of co-operation with the League, characteristic of the entire policy of the Hoover administration and not limited to Far Eastern matters, has had the effect of drawing the United States more and more deeply into the Manchurian matter. So far has this co-operation now gone that the Ameri-

can Government cannot now withdraw without great loss of moral prestige. The Roosevelt administration will be impelled to go on.

4. Further evidence of the material interest which the American Government already feels in the Far East is the concentration of the fleet for the past fifteen months in the Pacific. This display of naval strength, together with the frequent reiteration of the non-recognition doctrine, has already placed considerable strain upon Japanese-American relations.

5. On the other hand, there is plenty of evidence that American public opinion, as much now as in 1922 when the principles of naval limitation and non-fortification were written into the naval treaty, is not prepared to support an interventionist policy. The willingness of Congress, at the very moment when the government is pursuing a strong policy in the East, to pass a law, over the veto, to withdraw from the Philippines, is a significant straw in the wind. The more recent action of the Foreign Affairs Committee in striking out from the embargo resolution the authorization for the President, in cooperation with the powers, to place an embargo upon the export of arms to belligerents in the Far East, is another straw. Quite certainly, at the present juncture, American policy in the Far East is traveling not so much with as in advance of public opinion. At the moment, the American people are well satisfied with the non-recognition policy but further than that they are not likely to go—at least not more likely than they were in 1914 to depart from a policy of neutrality in the World War.

There remains to be considered the

present political position of China and Japan.

The League has chosen to take the optimistic view of China. The alternative was to become spectators to its partition, for forty years a dreaded spectre in the councils of State. There were the inevitable two choices—a weak China or a strong China. There is no choice between a China strong toward Japan and weak toward the other foreign powers in China, and the reverse. If the League of Nations is committed to work for a strong China, the members must be prepared to accept the consequences—a China strong enough not only to reclaim its sovereign rights from Japan but also from the other powers.

As for Japan, the League evidently intends to gamble on the probability of an economic and political collapse of the present government. Of this there are few immediate signs but that it is eventually inevitable seems certain. The more moderate the League policy from now onward, the sooner the break will come; the more imperative the League policy, the more probable that the Japanese people, feeling themselves beset on all sides, will rally to the old shibboleths.

The strength of the Japanese position, weak as it is in both ethics and law, remains what it has been for more than a year. Japan has offered a constructive solution for Manchuria. It was positive, definite, objective. The League has rejected it as likely in the long run to provoke not only further conflict in the Far East but also to establish precedents which would destroy the League in Europe. The League, rejecting Japan's plea of self-defense, has struck in defense of itself.

The Great Inflation Fallacy

By D. W. ELLSWORTH

[In the March issue of *CURRENT HISTORY* there appeared a strong plea by Ralph W. Page for inflation. The following article by the assistant editor of *The Annalist* presents an opposing view of this much-debated question. Although it was written before the nationwide bank holiday was proclaimed, it is of value as an account of certain recent financial developments in the United States.]

ON the front page of *The New York Times* of March 1, 1933, there appeared the following headline: "Smith Opposes Inflation; Asks Bond Issue for Jobs." The Smith, of course, was Alfred E., testifying before the Senate Committee on Economics. But to the popular fallacy expressed in that headline it is safe to say that 90 per cent of all the Smiths and all the Joneses in the United States would readily subscribe. But suppose the headline read thus: "Smith Proposes Inflation; Against Bond Issue for Jobs." Ninety per cent of all the other Smiths and all the other Joneses would be horrified. They would immediately suspect Alfred E. of having been temporarily unbalanced, of having been under too great a strain. And yet, of the two headlines, the one is actually as sensible as the other. So far as inflation is concerned, it makes little difference whether we reduce the gold content of the dollar or issue more government bonds.

On the whole, there are many good reasons for believing that, if we must have inflation, the better method would be to reduce the gold content of the dollar. It would be simpler. It would be perfectly obvious to the public what was being done. Cutting the gold content of the dollar could scarcely masquerade under some high-sounding financial phrase such as would inevitably be employed by some

other method, such as issuing additional quantities of government securities. Issuing new huge bond issues can be inflation of the rankest sort. That is why it is absurd for Smith or Jones or anybody else to oppose inflation and in the same breath advocate a bond issue—for jobs, to make good the Treasury deficit, or for any other purpose.

We have talked about inflation as if it were something new and untried—something which at least ought to be tried, at any rate, as a last resort. But, as a matter of fact, the easy-money policy of the Federal Reserve Banks, a policy which began in 1924, has constituted an inflationary experiment transcending in importance anything that had been tried in any other country at any other time, with the possible exception of the great European inflations which followed the close of the World War.

Despite all the agitation during the past years, the Hoover administration avoided any outright currency inflation, but the fact that there had been no such attempt in regard to the ordinary medium of exchange which we call money or currency (Federal Reserve notes, national bank notes, quarters, dimes, nickels, and so on) was irrelevant, because ordinary "money" constitutes but a comparatively small portion of our total media of exchange. On June 30, 1930, for example, before the beginning of the recent hoarding movement, the total amount of money in circulation (that is, outside the Federal Reserve Banks and the Treasury) was only \$4,522,000,000, as compared with total demand deposits of the member banks alone of about \$18,000,000,000.

It is these demand deposits of the

banks which in this country constitute the principal medium of exchange, and it was this deposit currency that was subjected to a gigantic inflationary experiment under the guise of the easy-money policy of the Federal Reserve Banks. A similar experiment, if attempted with respect to the circulating medium which we ordinarily call money, would have received widespread condemnation as "tampering with the currency." But because few people understood the mechanism through which the attempt was made to inflate our deposit currency, the public failed to perceive either that the attempt was made or that it lay at the root of our financial difficulties.

What most people do not realize is that when the Federal Reserve Banks buy government securities in the open market for the purpose of easing credit conditions they create bank credit out of nothing. The government securities thus purchased become an asset of the Federal Reserve Banks, and from a bookkeeping standpoint there must, of course, be a corresponding entry on the liability side of the balance sheet. To short-circuit a number of transactions which may intervene, if the commercial bank from which the Federal Reserve Bank made the purchase so elects, it may take the proceeds of the sale in the form of Federal Reserve notes, and on the balance sheet of the Federal Reserve Bank the item appears as a liability under the head of Federal Reserve notes in actual circulation. If, however, the commercial bank wishes to build up its reserve balance with the Reserve Bank, the entry on the Reserve Bank balance sheet appears under the heading of deposits, also on the liability side.

It was this latter situation which the Federal Reserve authorities attempted to bring about when they adopted their easy-money policy. To see what actually happened, let us examine a simplified balance sheet of the twelve Federal Reserve Banks

combined on two significant dates—June 30, 1930, and Dec. 31, 1932—as shown by the accompanying table.

FEDERAL RESERVE BANKS

(Millions of dollars)

ASSETS	Dec. 31, 1932.	June 30, 1930.	Net Ch'ge
Total reserves.....	3,457	3,174	+ 283
Bills discounted.....	274	272	+ 2
Bills bought.....	31	128	- 97
Gov't securities.....	1,763	591	+1,172
Other resources.....	508	685	- 177
Total	6,033	4,850	+1,183
LIABILITIES			
Fed. reserve notes..	2,725	1,424	+1,301
Deposits	2,554	2,455	+ 99
Other liabilities....	754	971	- 217
Total	6,033	4,850	+1,183

From this simple statement of actual conditions it is readily apparent that things did not work out as anticipated. The net result of the increase of slightly more than \$1,000,000,000 in the Reserve Banks' holdings of government securities was an increase of slightly more than \$1,000,000,000 in Federal Reserve notes in circulation, representing, in the main, currency hoarded. Instead of pumping credit into the banking system, the Reserve Banks merely pumped currency into the hands of the public.

There probably would have been no question regarding the security behind the liabilities of the Federal Reserve Banks if the Federal budget had been kept in balance. But 1930 was the last fiscal year in which government revenues exceeded expenses. From that time, therefore, there was a progressive deterioration of the quality of banking credit in the United States, because, for the most part, the entire banking structure is dependent upon the assets of the Federal Reserve Banks. Bank deposits having, in the eyes of the public, become of inferior quality, they were converted into cash and the cash was put into safe-deposit vaults. In addition, of course, the commercial banks of the country were called upon to buy \$2,500,000,000 worth of government securities to finance the Treasury deficit, thus adding to the amount by which the entire

banking structure became dependent upon the credit of the United States Government.

In view of these facts, it is idle to rehearse the familiar arguments against inflation. To say that we must have inflation as a last resort is just as sensible as telling a small boy that if he will only eat a few more green apples his pains will disappear.

All these fallacious arguments are, of course, based on the idea that prices must somehow be raised. The idea that prices must be raised is, in turn, based on two underlying assumptions: (1) That a higher general price level—cheaper dollars—will enable debtors to liquidate their indebtedness; (2) that rising prices stimulate business activity.

The first of these two assumptions is as unfounded as is the second. The present burden of indebtedness bears most heavily on the farmer and the owner of city real estate. If the price of farm products were suddenly to be doubled, so theoretically would the price of the things the farmer buys. Under present conditions, large surpluses of farm products exist, but stocks of most industrial commodities have been liquidated. It is, therefore, extremely doubtful whether farm prices could by any known inflationary device be raised by an amount sufficient to offset the increase which might be brought about in the prices of the manufactured goods which are consumed on the farm. As for the owner of city real estate, any benefit from a rise in prices would be speculative, since it would be impossible to raise rents promptly enough to increase operating profits to any great extent. Any speculative rise in real estate prices would be liable to sudden collapse, after which the situation would be worse than before, or at least no better.

That rising prices tend to increase general business activity is a popular assumption because over considerable periods of time when business activity is rising commodity prices are also

on the up-grade. It is not true, however, that in the beginning it is a rise in commodity prices that normally sets in motion a rise in business activity. The reverse is usually the case. In the depression of 1921 business activity began to rise in April, but commodity prices did not hit bottom until the following January. The record of many previous business cycles shows that the normal sequence of recovery from depression is first a revival in activity and second an upturn in prices. It is the extreme low level to which prices fall in a period of depression which normally stimulates a rise in business activity. One of the most spectacular buying waves in cotton textiles ever recorded began in the Spring of 1932, when cotton-cloth prices were at the lowest level in the history of the country.

Every great war over the entire span of years for which accurate statistical data are available has been followed, first, by a sharp but comparatively brief fall in commodity prices and, second, after several years of trade recovery, by a drastic and prolonged decline in prices. All previous secondary post-war depressions have given rise to agitation for various forms of inflationary measures, but it is a matter of record that recovery has never been accomplished until these proposals were defeated and a sound currency assured.

The proposals which have been advanced since the beginning of the present secondary post-war depression have differed from earlier proposals mainly in their subtlety. The availability of accurate and scientifically constructed price-index numbers has led to such proposals as that advanced by Professor Irving Fisher whereby the gold content of the dollar would in effect be changed from time to time in inverse ratio to the all-commodity price index.

Even more subtle was the proposal actually adopted for the regulation of the quantity of our bank-deposit currency through the open market opera-

tions of the Federal Reserve Banks. This proposal masqueraded under several seductive names. One was "managed credit"; another, "reflation."

In the failure of this "reflationary" scheme to "defeat" the depression we have an excellent example of the basic weakness in all inflationary schemes. At first the Federal Reserve Banks began buying government securities in moderate quantities. When this failed to bring about the desired results the cry immediately arose from the proponents of the plan that the policy was not being pursued vigorously enough. So, in April, 1932, the Federal Reserve Banks began buying government bonds at the rate of \$100,000,000 a week. Even this was not sufficient to satisfy the demands of the "reflationists," who still insisted that if the Reserve Banks would only buy still more and more government bonds, all would be well.

How much is enough? That is the question which the inflationists have never been able to answer and never will be. Once started on its insane course, inflation becomes a wild monster, powerful enough to wreck the best monetary system ever devised by man, driving all kinds of business enterprise to destruction and business men to despair.

Currency hoarding began in this country in November, 1930, when a few far-sighted individuals realized what would happen to their wealth if the "reflationary" policy of the Federal Reserve Banks was followed to its logical conclusion. It was not until comparatively recently that the general public took widespread alarm. But even so, the timing of that fear shows conclusively that it was the fear of inflation that led them to hoard. Although the basic cause of hoarding is to be found in the easy-money policy of the Federal Reserve Banks, the public manifestation of it broke out at exactly the time when Congress began to talk openly about inflation.

While the example set by Michigan—and in a smaller and less conspicuous way by other political subdivisions earlier—was popularly held responsible for the spread of bank moratoria, the difficulties that arose were basically the logical result of a mistaken banking policy for which the great majority of individual bankers were in no way responsible. The crisis had its roots in the inflationary policy of the Federal Reserve Banks which brought about a progressive disintegration in the nation's banking structure.

British Labor's New Program

By H. B. LEES-SMITH

[Mr. Lees-Smith was a member of the second British Labor Cabinet, first as Postmaster General and then as Minister of Education, and also one of the British Government delegates at the second Indian Round-Table Conference. Outside politics he has long been a member of the faculty of the University of London.]

WHAT are the prospects of the British Labor party? Does the downfall of its second government in 1931 and the shattering defeat it suffered at the subsequent general election mean that it has been wiped out as a serious political force? Now that eighteen months have elapsed it is possible to reply to these questions.

Even in its hour of defeat, it is now evident that the foundations of the Labor party were surprisingly little shaken, that its basic strength remains unimpaired and that it is being judged once more by its permanent aims. Although by-elections have not been numerous enough to give a reliable indication of the trend since the general election, Labor has succeeded in winning back the seats it lost at that time whenever they have become vacant. On the other hand, the vote obtained by the supporters of the National government who have retained their seats in by-elections has fallen 40 per cent.

Even more important, the party organization has remained intact. Though the public may not be aware of the extent to which the existence of a party depends on preventing disruption of its organization, working politicians are under no illusions on this subject. World-famous leaders may leave their parties but they only damage them permanently if they split the organization. For the Labor party the greatest peril was in the weeks immediately after it was aban-

doned by Mr. MacDonald, Mr. (now Lord) Snowden and Mr. Thomas. If they had succeeded in splitting Labor in two, it is unlikely that so young a party would have recovered from the blow. The final result, however, was that they did not carry with them a single Labor organization in any constituency throughout Great Britain. Such an example of solidarity is without parallel in recent British political history.

This, more than anything else, has secured for Labor the position of the responsible official opposition in Parliament and the only party which can be seriously regarded as an alternative to the present government whenever public opinion makes its next swing. When will that be? It will depend upon whether or not there is a trade revival. Unemployment brings down every British government in the end. The stock of the National government stands far higher abroad than in Great Britain itself. The outside world measures it by such achievements as its successful conversion loan, but these successes in the technical and administrative spheres do not win votes at an election. The people do not take much interest in politics between one general election and another, but when the campaign opens they ask the government one question only, "Are the number of the unemployed greater or less than when you took office?" The fate of the National government will therefore depend on whether it stems the tide of unemployment within the next three years. The Conservative party has for years preached that protection is the recipe for a revival of trade, and it will now be judged by its promises. At the present moment the number of

unemployed is more than 250,000 higher than when the National government was formed, and the latest figures published at the beginning of February reach the highest number on record. If this is not reversed the National government must expect to be swept away by another such blizzard as the Labor government met in 1931.

In these circumstances the leaders of British Labor are concentrating their attention on revising their program. The annual conference of the Labor party met at Leicester in October, and its decisions have been described as a swing to the Left, but it was also a swing to the concrete, practical and realistic. The central weakness of the last Labor government was timidity in action. The party was a propagandist party which had not made the necessary descent from romance to reality. This weakness will not be repeated. British Labor leaders have spent the last eighteen months in working out in full detail their plans to transfer to public ownership those basic industries which occupy the commanding heights of capitalist society as it is today. These plans received endorsement from the Leicester conference.

The industries that have been selected are banking and investment, electricity, railways and motor transportation, iron and steel, coal and a section of agriculture. Elaborate reports are being prepared covering each of these industries with practically all the details required for embodiment in legislation, and most of them have now been issued to the public. Their reception has shown that they will receive the support of a great section of the public outside the ranks of Labor and of a large proportion of the younger technical experts within each of the industries concerned. The industries selected are chiefly those which are passing out of the competitive stage, so that the choice within them is now between capitalistic monopoly and public ownership.

The last Labor government was destroyed by the "City," which corresponds to the term "Wall Street" in America. The first feature of Labor's new program is, therefore, a series of measures to make the State supreme in the realm of banking and investment. It has accepted the proposals for a "managed currency" which have come from Sir Arthur Salter, Reginald McKenna, J. M. Keynes, Professor Cassel, the Swedish expert, and the majority of the younger British economists. But the control of prices requires control of both banking and of long-term investment. The Bank of England is accordingly to be transferred to the government and managed by a board representing not merely City finance as at present, but industry and trade as well. The control of the Bank of England would carry with it the control of short-term credit, but as long-term investment is in the hands of the issuing houses and the stock exchanges, Labor proposes to create a national investment board, without whose license no fresh public issue of capital could be made or "leave to deal" be given on the stock exchange. The public ownership of the Bank of England is supported by a great number of business leaders, while a national investment board was suggested in the Macmillan report of 1931. On the question of nationalizing the joint-stock banks, which would create far more resistance, Labor is at present divided.

The next public utility on which Labor has fastened its attention is electricity. Great Britain has for many years lagged far behind in the use of electricity, and its per capita consumption has been barely one-fifth of that of the United States. The reason is that the production in Great Britain was split up between more than 600 different companies and producers, and this multiplicity of small units made it impossible to equalize the load factor or secure economies in overhead charges. For many years the government tried to

persuade the power companies to overcome this weakness by agreements among themselves, but when this proved impossible the Conservative party passed the Electrical Supply acts of 1919 and 1926. By this legislation 119 selected stations have been chosen at which the generation of electricity is to be concentrated, while sixteen new stations have been built. These stations, while still left in private hands, are compelled to confine themselves to producing electricity under a scheme imposed upon them by the board, and to sell it to the board at a fixed price, yielding $6\frac{1}{2}$ per cent interest on the capital invested. Distribution throughout the country is by means of the "national gridiron," the pylons of which now strike visitors to England as a new feature of the landscape. One result has been to reduce the price of electricity by one-half, while consumption has increased. Reports for 1931 show that, whereas the United States, Germany, France, Canada, Holland, Switzerland and Italy have shown declines in the production of electricity ranging between 4 and 12 per cent, Great Britain has shown an increase of slightly over 4 per cent and has made comparatively greater progress than any other important country in the world.

Labor accepts the present electricity scheme but points out that the scheme is confined to production, while distribution remains split up between more than 600 different undertakings with all the wastefulness from which production has been released. It is therefore proposed to extend the control of the Central Electricity Board over the entire field of the industry. This proposal, which has the support of a great volume of expert opinion, has received striking justification from the last report of the Electricity Commissioners, issued in January, 1933, which sharply criticizes the lack of enterprise and co-ordination on the part of the supply undertakings and warns them that

they are endangering the success of the "Grid."

We now come to Labor's policy in regard to railways and motor transportation. The railway companies have already been reduced from 120 in 1920 to four today. These have now embarked on pooling arrangements which within the next two years will finally eliminate all competition. By the railways act of 1921 dividends, freight rates and fares are controlled by public authorities, while wages, hours and conditions go before the National Wages Board. Nationalization of railways is therefore almost here. But the position has been transformed by the increase of motor transportation. This competition has been met by securing the passage of an act in 1928 to enable the railway companies to provide motor services. In the last four years they have displayed a feverish activity in buying the shares of existing motor undertakings, and in a few years they will undoubtedly be the largest operators of motor passenger traffic in the country.

Meanwhile the overlapping, the wastefulness and the public nuisance of a multiplicity of motor services conducted by private concerns, railway companies and local authorities and running without any common plan or arranged time-tables over the same routes has led to an anarchy which has been partly corrected by the passage of the road traffic act of 1930. This measure established a Traffic Commission to license motor buses and introduce some coherence into the business. The powers of the commission are at present confined to passenger traffic, but a committee, appointed under the chairmanship of Sir Arthur Salter, recommended in July, 1932, extension to goods traffic as well. Even when the government passes a bill to do this, it will not be a final solution of the question.

The Labor party proposes to meet the problem by enlarging its original proposal for the nationalization of

railways into one for the nationalization of all the transportation industries. The report of the Royal Commission on Transport in 1930 warned the railway companies that the public would bitterly resent any effort by them to stifle the road services in order to prevent competition. The best solution, the commission said, was the unification of railways, motor services, canals and even coastwise shipping, so as to give each its place in a coordinated scheme and put an end to unnecessary competition. Although the commission could not agree as to how this unification was to be achieved, it suggested that "the London passenger transport bill may prove to be an example of what can be accomplished on the far wider field of public transport of all kinds."

The one other subject in regard to which Labor has completed its plans is the nationalization of the land. This seemed at one time to be a proposal for the distant future, but it has been brought much nearer by inescapable changes. English agriculture is in the same plight as agriculture all over the world, and is being bolstered up by the usual devices of tariffs, bounties, quotas and subsidies. Apart from the world depression, English agriculture is suffering from deep-seated maladies of its own. For the last hundred years the method has been for the landlord to provide the capital represented in the land and buildings and for the farmer to provide the much smaller amount of working capital. But the landed gentry in England is now an almost extinct species and only the State has enough capital to take its place. The State ownership of land is, therefore, the next stage in agricultural development, and the Labor proposals for bringing this about are not markedly different from those put forward by Mr. Lloyd George and the Liberals in *The Land and the Nation* in 1925.

The nationalization of the coal mines was the leading item of the Labor program during the years im-

mediately after the war. But when the Labor government was formed in 1929 it was without a majority in Parliament and, therefore, without the power to carry out its program. Nevertheless, it found a most awkward legacy awaiting it. The coal mines act of 1926 had ruled that the hours of labor in mines were to be reduced from 8 to 7 in 1931. Labor could not refuse to give effect to this policy. Yet such a reduction of hours was certain to lead to a demand from the employers for a reduction in wages, which would equally certainly lead to a national strike. The Labor government persuaded the coal miners to accept a 7½-hour day and then induced the owners to agree to this without cutting wages by putting into the coal mines act, which was passed in 1930, provisions which created what is practically a cartel to raise the price of coal. Although the act was intended to give the coal owners breathing space, during which they could rationalize the industry, nothing has been done, and a cartel to control prices unaccompanied by the reorganization needed to reduce costs is a source of public peril. Labor, therefore, is now reverting to its original proposal for the rationalization of the industry under public ownership.

In iron and steel production the abandonment of competition is now the accepted policy of all parties. The leaders of the industry admit that a large part of its plant, particularly its blast furnaces, is out of date and that it would be necessary to spend as much as \$100,000,000 to re-equip it. But this calls for the rationalization of the industry, which would bring it under single executive control, so that second-rate plants could be systematically closed down and output concentrated in the most modern plants in the most economic areas. The last Labor government had before it proposals to divide the industry into four groups which would secure unified production within each of them before agree-

ments were made covering the whole country. The industry was willing to accept this scheme, provided it were granted a tariff. This the Labor government refused, but the National government had no such scruples and the Tariff Advisory Committee has given the industry a tariff of 33.1-3 per cent. The tariff, however, is only temporary, being granted on condition that the scheme of rationalization, which was before the Labor government, is carried out. Now that the industry has got its tariff, rationalization hangs fire. The Tariff Advisory Committee reported in October, 1932, that "the position has to be faced that the scheme of reorganization is not ready." Labor does not believe that a scheme will ever emerge, and even if it does it will merely create a capitalistic monopoly. It is, therefore, drawing up plans for the complete unification of the industry under public ownership.

The terms "public ownership" or "nationalization," it should be pointed out, have changed their meaning in England within the last few years. Until recently nationalization has meant the control of industry by government departments working along ordinary civil service lines and subject to political influence. But Labor now believes that this is not the proper method of controlling a business undertaking and has substituted a system of control by public corporations, a type of nationalization which meets the objections of most Liberals and many Conservatives. Under this plan an industry is controlled by a small board of carefully selected persons who act as trustees for the nation and who conduct the day-to-day affairs of the industry with as much freedom as an ordinary board of directors. They are subject to the decisions of Parliament only when great issues of policy are raised. This combination of socialism and business management which all three political parties have helped to develop has proved itself an undisputed success.

The British Broadcasting Corporation, known to every householder in England as the B. B. C., is a good example of the new system. It consists of seven persons of public reputation, who are paid substantial salaries. They have a monopoly of broadcasting throughout the country and manage the undertaking as the nation's trustees. All the ordinary administration is in their hands. The Postmaster General stands behind them with wide and general powers of supervision and control, but he does not intervene unless important national interests are involved. Even though criticism has been directed against the way in which the B. B. C. performs its task of holding the balance between conflicting political opinions, there is no demand to take the service out of its present hands. It is generally agreed that broadcasting is one of the healthiest influences in British national life, whereas if it had been left to profit-makers it would have been degraded to the level of the motion pictures and the less reputable newspapers.

The production of electricity is also, as already explained, controlled in much the same way. Here the authorities are two bodies, the Electricity Commissioners and the Electricity Board. The Electricity Commission consists of five members appointed by the Board of Trade, while the Central Electricity Board consists of eight members appointed by the Minister of Transport. The chairmanship in both is a full-time job, analogous to that of the president or managing director of a company, while the other members of the board are paid on a part-time basis. Both these boards have from the first commanded what is essential to their success—the confidence of the electrical industry and of the public.

The earliest experiment in this kind of government control was the Port of London Authority, established by Mr. Lloyd George in 1908. The port was at that time in the hands of a number of competing dock companies

and its trade was on the decline. The only chance of maintaining its position was to spend something like \$100,000,000 on deepening the channel of the Thames and dredging the river. But the competition among the dock companies was so fierce that the whole industry was unprofitable, and there was no margin of capital for improvements or extensions. Mr. Lloyd George bought the assets of the dock companies outright for \$115,000,000 and transferred them to the new Port of London Authority, to be administered by it as a public service. The method of appointing the members of the authority was deliberately based upon the doctrine that the divergent interests should be represented—the payers of dues, the wharfingers, the owners of river craft, the employees and so on. This constitution was purposely intended to prevent undue preference, log-rolling or corruption creeping in on behalf of any one group of interests.

The difference between this method of appointing the controlling body and that adopted for broadcasting and electricity has opened up one of the most intense discussions in the British Labor movement. Should the persons who control a public undertaking be representatives of the different interests involved, particularly those of the workers in the industry, or independent nominees who will act as national trustees? Labor for several years answered that it should represent mainly the workers in the industry. Guild socialism, as preached by G. D. H. Cole, dominated the minds of intellectuals during the years after the war, and the slogan of "worker's control" captured the whole movement.

But these vague visions vanished at their first contact with concrete legislative proposals. The only measure of real public ownership introduced by the last Labor government was the London passenger transport bill, which proposes to purchase all the London traffic undertakings—

the underground railways, the street-car services and the omnibuses—and transfer them to the control of a public board consisting of five members appointed by the Minister of Transport. The question immediately arose as to whether "worker's control" would be recognized. The Labor Cabinet emphatically rejected the idea and, on the ground that socialism cannot afford to be inefficient, the bill provided that the Minister should select the most competent and experienced persons available and disregard special interests of every kind. The Cabinet did not expect the trade unions to accept this decision, but the surprising fact is that the railway unions are in favor of it, because they realize that a minority of one or two Labor representatives on the board would have no real power, that their allegiance would be divided between the board and its employees, and that they would be continually suspected by their own followers of having acquired the employers' point of view.

These examples show the type of socialism that British Labor now advocates. It is in line with most British economic thinking today. A good illustration of this is the changed attitude of the Conservatives to the Labor party's London passenger transport bill. The Labor Minister, who introduced this bill in 1931, described it as "the greatest Socialist transport scheme which has ever been before the country." The rejection of the bill was moved on behalf of the Conservative party by Sir Philip Cunliffe-Lister, now a member of the National government, who described it as "nationalization of a peculiarly irresponsible kind." The Labor government went out of office before the bill was passed and now, after twelve months' reflection, the National government has revived the bill with one or two modifications, and selected Sir Philip Cunliffe-Lister to persuade the Conservative party to bring about its enactment.

A great change has come over British public opinion in the last five years. Belief in the competitive system has silently disintegrated everywhere and "rationalization" has taken its place as the creed of the leaders of industry. The late Lord Melchett (better known as Sir Alfred Mond) was more responsible than any other business leader for this change of attitude. He first set the fashion of proclaiming that the efficient and economical conduct of an industry requires that all competition within it shall be eliminated so that it can be controlled as a whole by one central executive, with operations concentrated in the plants best adapted for the purpose. This doctrine has been accepted by moderate Conservative opinion and even by the *London Times*.

But rationalization makes socialism inevitable. The British public, when faced with the choice between capitalistic monopoly and public ownership, will certainly prefer the latter and all governments will help the process forward. England, within the next two generations, will thus evolve into a socialistic State, by a series of measures carried through by Conservative as well as Labor governments, blessed by the Bishops and ratified by the King, with little apparent change to the outside world.

But behind these issues another deep cleavage is in process of formation. Internationalism rather than socialism is the vital problem for the next generation in Europe. Three-quarters of the unemployment in Britain is due to world forces which one nation alone cannot control. One-quarter is due to the decline in Great Britain's foreign trade and one-half to the world slump of the last two and a half years, which most of the British econ-

omists ascribe mainly to the unparalleled fall during this period in world wholesale prices. They have worked out a program for the international control of currency, the lowering of world tariffs and the supervision of such matters as government debts, private investments, forced and sweated labor and migration. The battle along this front will be fought for years to come in international conferences, congresses and committees.

It is in this sphere that the National government has been undoubtedly inactive. Foreign observers naturally think that because Mr. Ramsay MacDonald, with his great international fame, is Prime Minister, the policy of the government follows his past reputation. But the general election left him with only thirteen of his own supporters behind him in the House of Commons and with 471 Conservatives, and the Conservative party has always been strongly nationalist. This is reflected in the passivity of Sir John Simon at Geneva, in the secondary rôle that Great Britain has played in the Disarmament Conference, in the Ottawa agreements, which narrow instead of extending the area of Great Britain's international trade, and in the timidity of the government toward proposals for international monetary control. Unless the trade stagnation ends within the next twelve months the mind of the British public will undoubtedly turn to these international issues and Labor will stand out as its spokesman. This will bring it great multitudes of new adherents from far outside the working class, for there has always been a strong strain of humanitarianism in the middle class and the young men and women of the post-war generation are openly contemptuous of the conventional patriotism of their fathers.

Cuba Under President Machado

By RUSSELL PORTER

[As a member of the news staff of *The New York Times*, Mr. Porter recently made an investigation of conditions in Cuba. His observations and conclusions are set forth in the following article.]

WHEN President Gerardo Machado y Morales, virtual dictator of Cuba, and his well-drilled, well-equipped army of 12,000 men—one of the best military forces in Latin America—put down the revolution led by former President Menocal in August, 1931, force triumphed for the moment, but it failed to end the opposition to the Machado régime. Since that time, political, economic and social conditions in Cuba have gone steadily from bad to worse. The beginning of 1933 found an impasse in the tragic struggle of the Cuban people against President Machado and his military and political supporters.

With the army and the police at his back and with the legislative and judicial bodies and all existing political parties under his thumb, President Machado has been able with the assistance of martial law and the suspension of constitutional guarantees to suppress criticism of the government in the press, in opposition political parties and in public meetings. He has imprisoned, exiled, deported or killed his political enemies, but he has been unable to exterminate the opposition; he has only driven it underground. The more ruthless his repressive measures, the more widespread has become this secret opposition.

When, as in Cuba, a people is unable to seek a change in government through the exercise of free speech, free press, free assembly and free elections, some form of protest is inevitable. In Cuba it came last year

in the form of terrorism. As practiced by both sides, by the Machado secret police and by the ABC secret society, the underground war of terror which developed during 1932 is the chief contribution of the Machado government to the history of the Cuban Republic. Every other factor in the present political situation finds its counterpart in the record of previous administrations; most of these elements are deeply rooted in evil political traditions which Cuba inherited from four centuries of Spanish colonial rule and which three decades of a democratic form of government have not served to overcome. Revolutions are an old story in Cuba. Charges of corruption or oppression have been made against every Cuban President; constitutional guarantees have been suspended frequently. Two Presidents before Machado were confronted with revolutions arising from charges that they had re-elected themselves by means of unfair control of the electoral machinery; while at least one previous President established a virtual dictatorship in his second term.

Official assassinations, imprisonment without trial, and exile of political prisoners were not unknown in Cuba under previous administrations, but they were comparatively few in number, and the assassinations were isolated cases. Under the Machado régime, however, assassination has risen to the dignity of a political art. Official killings began in 1925, not long after President Machado was inaugurated for his first term. Politicians, labor leaders and editors opposed to the government were mysteriously killed—the murderers went unpunished. These killings continued,

on a relatively small scale until, having emerged victorious from the 1931 revolution, President Machado embarked upon a policy of complete ruthlessness in an effort to wipe out all opposition to his government.

Prohibited by Presidential decree from holding open meetings, the opposition was driven to secret intrigues and conspiracies. The secret police and *porra*, or strong-arm squads, were ordered to break up these meetings and to arrest the conspirators. Homes and offices were invaded; suspects were sent to prison by military courts or held *incomunicado* in military fortresses without trial; and finally the bodies of political prisoners began to be found in the streets, shot to death after being beaten and tortured. The killings were justified by the government under the old Spanish *ley de fuga* (law of flight), which permitted a police officer to kill an offender who resisted arrest or who attempted to escape. When the writer interviewed President Machado in the Presidential Palace in Havana recently he did not attempt to deny that such killings had occurred. On the contrary, he tacitly admitted them, but condoned them on the ground that the police were justified in shooting in self-defense.

The government's explanation of the killings is generally received with reserve in Havana. Only a short time before the writer's visit, the newspaper *El País* of Havana in its issue of Dec. 31, 1932, published a photograph which showed the body of a 17-year-old student, Juan M. Gonzales Rubiera, lying in the street with his hands and feet bound, although the police had said that he had been shot "trying to escape." This clear evidence of the misuse of the *ley de fuga* created a sensation in Havana. Although the police suppressed the edition and confiscated all the papers they could find, some reached the public and were circulated from hand to hand.

It is impossible to determine with

impartial exactness how many official assassinations have taken place. The government withholds official information. In some Cuban oppositionist quarters the figure is put as high as 2,400, though the more responsible opposition leaders say "hundreds." The ABC society claims to have a list of 342 of its members who have been killed. The most conservative estimate the writer was able to obtain in the best-informed American circles in Havana was that from 150 to 200 such killings had occurred since the use of the *ley de fuga* had become widespread—that is, since the 1931 revolution.

The government has contended consistently that its repressive measures have been confined to Communists or other radicals. Undoubtedly the Cuban labor movement, which constituted the chief opposition to President Machado in the early years of his administration, was under the direction of alien Communists and anarchists, but in recent years the radical element has been only a minor factor. The opposition has been led not only by professional politicians of both Conservative and Liberal factions, but also by non-political members of the professional and business classes.

Even the ABC terrorist group—since early in 1932 the spearhead of the opposition—is not to be classed as a "Red" organization, though it undoubtedly contains some Communists and other radicals in its ranks. It is organized on traditional nihilist and terrorist lines, in units or "cells" of eight members, no one of whom knows more than one member of any other cell. Its methods are terroristic, and its immediate aims may be regarded as nihilistic and anarchistic. Recently its tendency, however, has been toward the development of a positive program of reform.

The ABC has had a rapid growth. Its membership, which in January, 1933, was claimed to be from 4,500 to 5,000, has been recruited from the intellectual, professional and student classes, largely from former students

and young graduates of the University of Havana and of the high schools, which have been closed for several years because of student agitation against the government. Despite its terrorist methods, the student movement is generally regarded as motivated to a great extent by the patriotic and idealistic purpose of purifying the national life. The students are opposed not only to President Machado but to all the professional politicians of the old school, feeling that any new group of these men who assumed power in case the Machado government falls might become equally oppressive or corrupt. Yet they are unalterably determined that Machado must be removed from power.

Through the OGRR, a subsidiary group for direct action, the ABC has been responsible for the bombing of public buildings and the assassinations of government, military and police officials which have recently characterized the opposition movement. Toward the end of 1932 and early this year the killings reached a climax in spectacular affairs in which the terrorists, using machine guns and sawed-off shotguns from automobiles in American gangster fashion, assassinated two of President Machado's chief lieutenants. One was Dr. Clemente Vasquez Bello, President of the Cuban Senate and of the Liberal party, who had been suspected of intriguing for the Presidency in 1934. He had been regarded as responsible for persuading President Machado to stay in office when he seemed about to resign and permit a free election in 1932. Captain Miguel Calvo y Herrera, the other, was head of the secret police. He had a reputation for extreme brutality in third-degree examinations of political prisoners and had been held responsible for many official killings and mysterious disappearances.

The terrorists have killed in and near Havana a number of lesser officials, including a military supervisor, a chief of police, a chief of rural

guards, a police captain, a police lieutenant and a secret-police officer. They have made several futile attempts on the life of President Machado, who is always heavily guarded by soldiers and police. He has rarely appeared in public in recent months and for some time has traveled in the second car of a procession of three armored automobiles.

Although all the five organized oppositionist groups are united in demanding Machado's removal, otherwise they stand apart. In Cuba, carrying on active opposition, are the students, with little or no real direction, and the ABC, under the leadership of intellectuals; both groups are suspicious of the opposition political leaders. This suspicion and lack of unity may be the greatest strength or the greatest weakness of the opposition. It may mean that the young intellectuals and the students will succeed in purifying the political life of Cuba in the future; it may mean that the opposition movement will remain split and become ineffectual to achieve any real reforms. Time alone will give the answer.

The leaders of the three opposition political groups are in the United States. In Miami is former President Menocal, head of the orthodox, or non-cooperating, Conservative party, so called to distinguish it from the cooperating wing of the party, whose leaders sit in Congress under President Machado's domination. Colonel Carlos Mendieta, head of the Union Nacionalista, whom General Machado defeated for the Liberal party nomination in 1924, recently left Cuba under the protection of the Mexican Embassy, where he had taken asylum, and went to Florida. The third opposition party is the so-called Miguelista group, composed of the followers of former Mayor Miguel Mariano Gomez of Havana, who fled from the capital shortly after the 1931 revolution. President Machado characterized him as his "would-be assassin." Dr. Gomez has been carrying on his activities as

head of a revolutionary junta in New York City.

The opposition has formulated an indictment of President Machado's régime which may be summarized as follows:

1. That he has built up and is seeking to perpetuate a dictatorship through re-electing himself next year or dictating the election of his successor.

2. That he has instituted a reign of terror through the *ley de fuga*, imprisonments without trial, holding political prisoners incommunicado, exiles and deportations.

3. That he has made free elections impossible by fixing permanent control of all existing political parties in his own hands, by forbidding the organization of new parties or the running of independent candidates, and by using his army and police to manipulate elections.

4. That he has prevented open opposition by prohibiting free speech, free press and free assembly, and by closing and failing to reopen the higher institutions of learning.

5. That he has suppressed the civil courts by military tribunals, which have ignored writs of *habeas corpus* issued by the civil courts.

6. That he has refused to respect decisions of the Supreme Court holding some of his actions unconstitutional—a development regarded as the last straw in breaking down constitutional processes.

7. That his entire second term has been illegal and unconstitutional.

President Machado has been in office since May 20, 1925; he was re-elected in November, 1928, for a second term, and was inaugurated the second time on May 20, 1929, for a term of six years. When elected in 1924, he was immensely popular; people had confidence in his pledge to give an honest business government and to retire from office at the end of four years without seeking a second term.

During his first term he used appointments, especially to the lucrative collectorships in the national lottery, to gain control not only of his own Liberal party but also of the Conservative and Popular parties, the only other existing political organizations. In 1927 he induced all parties in Congress to support his program for constitutional amendments which assured his re-election for a second term. These constitutional amendments, together with legislation passed by Congress, enabled the government to emasculate the electoral code written by General Enoch H. Crowder, former United States Ambassador to Cuba. Its provisions had created safeguards against manipulation of elections and against the control of political parties by unrepresentative cliques or government officers; periodic election of party officers was required, and the organization of new parties was provided for. The three parties nominated President Machado for re-election in 1928; he was re-elected without opposition at the polls, and party control was fixed permanently in pro-Machado Congressional committees.

These constitutional amendments are the basis for the charge that the present government is illegal and unconstitutional. According to the opposition, the constitution provides that a constitutional convention may only approve or reject amendments proposed by Congress. The constitutional convention is said to have exceeded its authority by adopting amendments of its own proposing. Whereas Congress had proposed amendments extending President Machado's first term for two years and also extending the terms of members of Congress, the constitutional convention adopted entirely new amendments, permanently changing the President's regular term of office from four years to six years, lengthening the regular terms of members of Congress and limiting the Presidency to one term, though making an exception for the President in

office in order to permit Machado's re-election for six more years.

Between 1927 and 1931, the opposition demanded the restoration of the Crowder electoral code, a new census as the basis for a new Presidential election, the reorganization of the political parties, and the President's resignation. During this period Machado pursued a course of alternate repression and conciliation. At times he seemed about to compromise by acceding to all the demands except that of an immediate resignation, expressing willingness to permit a new election in 1932 with guarantees of no official intimidation or fraud. At other times he refused to consider reforms, and prohibited any criticism of his policies in the press or in public meetings.

Finally the negotiations for a compromise broke down and the revolution of August, 1931, occurred. As the army and the national police, now a part of the army, remained loyal, the revolution was quickly put down. After the revolution President Machado offered to institute reforms voluntarily, and urged Congress to enact legislation which would meet most of the criticisms of the opposition.

Early in 1932, however, President Machado abandoned the reform program and announced that he had no intention of resigning, that he would remain in office until the end of his term in May, 1935, and that martial law would be continued until that time. Terrorism followed.

Naturally the criticism of the repressive and dictatorial methods of the Machado government has overshadowed its many and important constructive accomplishments. President Machado has been a builder. The \$100,000,000 public works program which he completed, including the 700-mile Central Highway connecting Havana with all parts of the island, and the handsome \$20,000,000 Capitol in Havana stand as lasting monuments to his administration. These

improvements have been criticized as wasteful and extravagant, but the fact remains that they are actually in existence, whereas previous Cuban administrations appropriated large amounts for public works which never materialized. American engineers say that the Central Highway could have been built for \$60,000 or \$80,000 a mile instead of \$140,000, and undoubtedly large sums found their way into the pockets of politicians and contractors favored by the government. Yet the administration of President Alfredo Zayas (1921-1925) sought an appropriation of \$390,000,000 to construct this same road, and it was Señor Machado who blocked the project.

In the early years of his administration, President Machado was acclaimed on all sides for his business-like, efficient methods, and it was generally conceded that there was less corruption in Cuban politics than at any time since the administration of Estrada Palma, the first President. President Machado rid the country of the bandit groups that had infested the rural districts; he stopped much of the petty graft that had preyed upon business in Cuba for years; he reduced the national budget. The national credit was preserved by paying all the heavy interest and amortization charges on the public debt, despite the progressive decline in national income and governmental revenues during the depression.

In an effort to overcome the economic problem caused by the collapse of the sugar industry, he embarked upon a program of agricultural and industrial diversification which has shown signs of some degree of ultimate success, and he made a valiant effort to stabilize the sugar industry through crop and export limitation. Most important of all, Machado has kept the country from sliding into successive revolutions, such as have characterized some Latin-American countries in recent years, and at all times he has been careful to protect

the lives and property of foreigners.

For these reasons the American business community in Cuba and a large section of conservative Cuban business interests supported President Machado until comparatively recently. They felt that Cuba needed a strong man at the helm in the economic emergency through which it was passing, and that he was the one man in Cuban public life who could keep the ship of state on an even keel during the storm. It is the widespread use of terroristic tactics by the government which these interests have been unable to condone, and it is the deadlock which has developed in the underground war of terror which has led them to regard the situation as hopeless.

Even under a model government general unrest and an insistent demand for a political change would have been inevitable in Cuba as a result of the depression, which has been even more severe in Cuba than in the United States. Cuba is still practically a one-crop country, with 80 per cent of the national income dependent upon sugar. Four years before the depression became worldwide the Cuban sugar industry collapsed. This was the same year (1925) in which President Machado began his vast public works program, which doubled the public debt. Now, with sugar falling lower and lower every year, Cuba is caught in a vise between the low price of sugar and the high cost of a debt service which becomes relatively more burdensome every year in terms of the rapidly diminishing national income. She is squeezed tighter in this vise by the heavy taxation needed for the support of the military establishment which keeps the Machado government in power, and which consumes about 25 per cent of its revenues. Mounting taxes on business, including sales and consumption taxes on necessities of life and increasing customs duties on imported foodstuffs and manufactured articles have produced a state of stagnation in

business. These conditions, added to the financial crisis, have reduced almost the whole population to a condition of semi-starvation.

Throughout Cuba's troubles under the Machado administration the United States Government has followed a "hands off" policy as far as the political situation is concerned. It has adhered strictly to Elihu Root's interpretation of the political article of the Platt amendment, against any "intermeddling" by the United States in the domestic affairs of Cuba. Since 1930 this country has exercised its power under the financial article of the Platt amendment to prohibit any further loans by American banks to the Cuban Government, thus preventing additions to the debt burden.

With the recent inauguration of President Franklin D. Roosevelt and a change from a Republican to a Democratic administration in the United States, Cuba is wondering whether there will be a change in the policy of the United States Government toward Cuba. Two questions were uppermost in the minds of every one in Havana during this writer's visit to Cuba. Will the Roosevelt administration negotiate a new reciprocity treaty and lower the American tariff against Cuban sugar? Unquestionably this would go far to relieve the special economic distress in Cuba caused by the collapse of its chief industry. And will the Roosevelt administration take a more active part in the Cuban political situation? This undoubtedly would lead to a restoration of democratic forms of government in Cuba. But both problems are complicated by issues of domestic and foreign policy in the United States, of an economic as well as a political nature, and are not by any means easy of solution. By the time this article appears steps may have been taken to deal with them. In any event they cannot be regarded as the least important of the many pressing problems which confront the new administration at Washington.

Farmers' Troubles—And a Remedy

By WILLIAM ROY RONALD

[The writer of this article is editor of *The Evening Republican* of Mitchell, S. D. He has long been an advocate of the domestic allotment plan for farm relief and assisted the Senate Agricultural Committee in the framing of a farm parity bill at the recent session of Congress.]

IN the same week that one farmer shot another during a farm strike clash near Sioux City, Iowa, a young farmer's wife in South Dakota wrote to a newspaper: "My husband had to buy a pair of shoes. To pay the price (\$4) we brought to town twenty pounds of butter and twelve dozen eggs. That just paid for the shoes." The week's output of a nearly average farm to buy one pair of shoes! This simple story explains not only the farmer's wild attempt to stop marketing in order to raise prices, but also makes clear why an industry upon which 50,000,000 depend is in the slough of insolvency.

"But," says the city dweller who is out of a job or whose wages are below living costs, "the farmer at least has a place to live and plenty to eat. Compared to myself, he is well off." The city man, however, has missed the point. In thousands upon thousands of cases the farmer has lost his "place to live"; in many thousands more he is faced with eviction. Others are so deeply in debt that they see only dispossession ahead of them. Unable to meet fixed charges—taxes, mortgage interest or payments and irreducible farm costs—the farmer realizes that he faces that extremity which inevitably follows long-continued operating deficits. It means the loss of home and livelihood, in many cases the loss of an investment of \$15,000 to \$25,000—it is the climax of a *twelve-year*

depression in American agriculture.

To the farmer the year 1921 signifies all that 1929 does to the man who saw his holdings vanish in the great stock-market crash. For agriculture there was no period of prosperity in the decade following 1921; that is the outstanding and significant fact behind "the farm problem."

During the World War farms were stripped of their man-power by enlistment, but the farmers were told they must produce food and more food to help win the war. When they inquired how they could get along without the hands that had been taken for the army, they were instructed to purchase labor-saving machinery. Banks, they were told, would lend the money. So the farmers bought as they had never bought before. Farm mortgages tell the story—from \$3,320,470,000 in 1910 they jumped to \$7,857,700,000 in 1920. Then, in 1920 and 1921, came the drive for deflation. The Federal Reserve Board's vigorous campaign against wartime prices is a matter of common knowledge. It is less well known that, as a climax to its other efforts, the board in 1921 called upon the member banks in the farm belt to repay their borrowings in thirty days! Farmers, asked in turn to take up their loans, flooded the market with their goods; prices broke again and again.

Then the unheard-of happened in the affairs of agriculture. Chattel mortgages went bad! Though they were regularly written at only half the market value of the grain or livestock security, prices tumbled so rapidly that by the time they came due in 1921 the collateral, for the first time on record, was not worth the

loan. These liquid assets had long been so desirable that they had always sold readily to banks throughout the United States. As they were, of course, endorsed by the issuing banks these home banks were forced to assume the losses. For their own protection the banks in many instances could do no better than take second mortgages on farms. That is how "frozen assets" entered the story of banking in the farm belt. If prices had risen again the banks could have worked off these mortgages, but prices never did. And so began, first in the Missouri Valley region as long ago as 1923 the bank failures which by 1932 had made their way the length and breadth of the land.

The closing of scores and then hundreds of banks dealt the farmers two more blows. Deposits were lost and receivers called unpaid loans. Foreclosures of farm mortgages followed; they have continued ever since, growing to appalling numbers in the last two years. That the farmer, from 1921 on, waged a losing battle to extricate himself from losses and debts is shown clearly by the record of farm mortgages, which increased from \$7,857,000,000 in 1920 to \$9,360,620,000 in 1925; in 1930 the figure stood at \$9,241,390,000, and today the total is estimated, with accumulated delinquencies, at more than \$10,000,000,000.

Why, since the whole country was extraordinarily prosperous from 1923 to 1929, did the farmer not pay off his debts during those six years? The question is pertinent; its answer embodies the correct analysis of the farm problem of today. Farm prices were deflated in 1921 and remained deflated; the cost of goods which the farmer was obliged to purchase never has fallen proportionately.

The story of the wheat farmer's experience in the last twelve years is typical. Wheat sold in the years 1910-14 at an average of \$1.06 (terminal price). In the years 1921-30, includ-

ing those six years of "great prosperity," wheat sold at the same terminal at an average of \$1.05. In those same ten years, following agriculture's "black year" of 1921, non-agricultural commodities averaged 154 per cent of their pre-war price. During the entire decade it required nearly sixteen bushels of wheat to buy the same amount of non-agricultural commodities as were purchased by ten bushels in the five pre-war years. To secure pre-war exchange value, wheat should have sold at \$1.63 in the years 1921-1930; actually it brought \$1.05. The difference of 58 cents per bushel, on the 8,330,000,000 bushels of wheat produced in the United States in that decade, amounted to no less than \$4,800,000,000. Thus, wheat lost nearly \$5,000,000,000 in exchange value, compared with the pre-war period. In other words, the purchasing power of the farming community was decreased by just that amount.

A similar computation for hogs during the same ten years shows that their producers were short \$2,700,000,000 in pre-war purchasing power. If a few more farm commodities are considered, the total reaches more than \$10,000,000,000—the amount of pre-war exchange value taken from market prices of farm output in the years 1921-1930.

In the last two years farm prices have suffered still more, until late in 1932 the farm dollar had fallen as low as 36 cents! In other words, it took almost three times as much of the average farm products to secure a given amount of non-agricultural commodities as before the war. That is why the farmer's wife was able to obtain only one pair of \$4 shoes in exchange for twenty pounds of butter and twelve dozen eggs. At pre-war exchange value she would have received three pairs of shoes. The farmer might as well have been receiving depreciated currency. The moment a dollar got into his hands its purchas-

ing power declined by an amount ranging from a minimum of 8 cents in his best year since 1921 to a maximum of 64 cents in 1933.

There is more than one reason for the failure after 1921 of the prices the farmer received to reach anything like parity with the prices he paid. The outstanding fact, probably, is that the United States Government continued the pre-war tariff system. It attempted to make its debtor nation policy continue to work after it had become a great creditor nation. Denied by American tariffs the opportunity to pay on their enormous debts or for their purchases by sending us their own goods, foreign countries discovered that their purchasing power in America had fallen. Nevertheless, the farmer was forced to go to foreign markets to dispose of his surpluses, and there he received a distress price, even as he did for the products sold in the United States. As evidence of the punishment taken by the farmer in his exports it should be recalled that in the first two years after the Fordney-McCumber Tariff act the United States furnished 41 per cent of the world's wheat exports; in the two years following the Smoot-Hawley tariff the percentage dropped to 15.

While depressed prices on exports fixed the price in the domestic market for all farm products in which there was an exportable surplus, the barriers between the producer and the consumer were raised to unprecedented heights. Freight rates, wages, rentals, in fact all costs entering into distribution, were increased. For example, the spread in 1910-14 between the price of 100 pounds of live hogs and the price of pork products to the consumer, was \$6.91. In the period 1926-30 that differential was \$16.31. In other words, pork had to carry a load two and a third times as heavy. The same has been true of all other farmstuffs. To collect from the consumer a fair price for the original

product became correspondingly more difficult as the middleman increased his share.

One must never forget that the farmer can control neither the amount of his output nor the price he receives for it. The weather determines the one, the buyer the other. Such circumstances compel the farmer to be either a fatalist or an optimist. Because he must go on and take whatever comes to him, the more optimistic has developed the habit of hoping for better things next year. Unfortunately the next years have proved all alike. Today, floundering in a bog of indebtedness, unable to find enough produce on his farm to go even part way around to the tax collector, the interest collector and the bill collector, the farmer has in despair approached a revolutionary mood.

The farmer's attitude has not been helped by the knowledge that the tariff system which keeps up the price of goods he buys has been proclaimed as a device to keep the American workingman's standard of living above that in Europe. He knows that England, by taxing processors, guarantees wheat farmers \$1.30 per bushel; that the Netherlands, taxing processors, guarantees exporters of hogs \$5.50 per hundred pounds; that France, Germany and Italy, by import quotas, have kept prices of wheat from \$1.50 to \$2 per bushel, even in this depression. Knowing these things, while he is obliged to take 30 cents per bushel for wheat and a little more than \$2 per hundred for hogs, he can hardly be otherwise than bitter toward a governmental policy that, so far as income indicates, keeps him *below* the standard of living among European farmers. When, in addition, his wife and daughters must go into the fields to do the work of men he cannot afford to hire; when he must work ten to fourteen hours a day though he reads of the five-hour day for the city worker; when he is deprived of all but the bare necessities

for his home and the operation of his farm, there are social as well as financial implications.

If farmers strike against the further marketing of farmstuffs or, thousands strong, defeat foreclosure sales by penny bids, they are acting not so much by design as by impulse. In despair the farmer naturally turns to measures of desperation. He acts from somewhat the same instinct as the drowning man clutching at a straw. After all, the farmer's outcries have accomplished something—they have made the rest of the country realize that there is a farm problem.

What does the farmer think about the proposals that have been made to help his industry? He is frankly bewildered. Is that surprising when those who would help him come forward with so great a multiplicity of plans? Marvin Jones, chairman of the House Committee on Agriculture, remarked privately after the House had passed, at the last session, what was left of the Voluntary Domestic Allotment Plan: "Well, I guess we did rather well, when we consider that 20 out of 22 members of my committee had plans of their own." In the babel of argument between all the proponents of the innumerable remedies advocated, the farmer is frankly confused and naturally pessimistic and skeptical. A complete failure like that of the widely heralded Farm Board's venture into the market has left him in a state of mind anything but hospitable to the most alluring of "plans."

When farmers have discussed among themselves what should be done, they have divided generally into two rather well-defined groups. One school has contended that the way out was to reduce taxes, reduce interest rates and reduce prices on everything the farmer buys, so that, by decreasing expenditures, he could come out more than even. The other group has insisted that the only salvation for the farmer was to increase his income, but this latter school has not seen its way so clearly as the other. To de-

crease outlay is a comprehensible thing; how to inflate incomes has baffled even the experts. That is why more of protest than of constructive proposal has been heard from the farmer himself.

Of the countless "plans" to help agriculture, only three have secured much recognition. The debenture fee, advocated consistently by the National Grange, would have given the farmer a subsidy on exports. The equalization fee, sponsored by the American Farm Bureau, would have taken the exportable surplus off the market, in order to make the tariff effective on the remainder, and then would have equalized the transaction by a settlement which spread the amount of the tariff over the whole crop. To both plans the objection was raised that the increased price would so stimulate production as again to lower market prices, leaving the farmer as badly off as before, but with a much greater surplus.

Not until the voluntary domestic allotment plan was completely worked out during 1932 did there appear any apparently constitutional measure that would raise the price to the farmer and at the same time control production. Because of its production-control feature the allotment plan has found greater acceptance outside the farm belt than any other proposal for relief. It is almost true that it has come to agriculture from the outside, as it was only after Congress had convened in the lame-duck session that the farm organizations, united at last, agreed to support it. President Roosevelt studied this plan shortly after his nomination, going into it thoroughly with numerous groups, and finally became so convinced of its soundness that he declared for it in all but name in his address at Topeka last September.

Farmers generally do not understand the allotment plan, but it has been explained to them at a good many meetings and the reception has probably been more favorable than

that accorded to any other for the betterment of farm prices. It should be distinctly understood that neither the bill passed by the House in the last session of Congress, nor that reported out by the Senate Committee on Agriculture, is the Voluntary Domestic Allotment Plan. The House did away with the allotments and the Senate struck out the control of production. Thus stripped, it was no longer recognizable. The original proposal will be introduced at the special session of Congress, backed by the new administration and by the farm organizations.

In three sentences, the voluntary domestic allotment plan is as follows:

1. The processors of wheat, hogs, cotton and tobacco entering domestic consumption will be taxed in an amount necessary to bring the return for each to pre-war exchange value.

2. Producers will sell in the open market as heretofore, but, on application, will be allotted annually the proceeds of the processing taxes, in proportion to the producer's past production.

3. Producers will receive their adjustment certificates on their allotments only if they agree to cooperate with other participating producers in a horizontal reduction or limitation upon production; this limitation to be in terms of acreage of crops and pounds of hogs marketed.

The computation of the rates of excise taxes on processing will not be as difficult as often believed. For example, on Nov. 15, 1932, the farm price of wheat was 33 cents per bushel; to obtain pre-war exchange values, wheat at that date should have sold for 93 cents; therefore, the difference of 60 cents would have been the rate of tax on processing and for computation of the adjustment certificate to the producer. On cotton, the differential at that time was 7 cents per pound, on hogs 4.6 cents and on tobacco 2 cents per pound.

While the rates on crops will be changed from year to year, to adjust to pre-war exchange values, that on

hogs will be fixed, at not more than 3 cents per pound, because the price of a perishable product, such as pork, is directly responsive to any change in the relation between supply and demand. The Secretary of Agriculture would have power to change by percentage, from time to time during the marketing year, the number of pounds each participating producer of hogs might market for slaughter. As every farmer knows how to feed his drove to a specified weight and would be free to sell for other than purposes of slaughter, he should easily keep within his marketable quota. By this device the supply could be so adjusted to demand that the price could be virtually stabilized at the figure which, with the bounty, would provide pre-war exchange value.

The two objections most frequently raised against this plan are that it would make the Secretary of Agriculture a dictator and that it would set up an expensive and elaborate bureaucracy. While these criticisms were applicable to the mutilated bill passed by the House, they do not hold against the original plan. Two of the six "specifications" are that it must be cooperative and that its administration must be decentralized—requirements to be met by the working out of a system similar to that of giving Federal aid to highways. All details would be in the hands of county commissions, serving without pay, supervised by State commissions appointed by the Secretary of Agriculture, and receiving compensation by the day. Only local clerical aid would be authorized, except for such special representatives of the department as might be requested by the State commissions.

The burden of proof would rest first upon the producer, then upon the county commission and then upon the State commission, to show full compliance with requirements. Failure to make such a record as is required would automatically eliminate producer, county or State from the next

annual distribution of certificates. Thus the administration would be self-policing, and all producers would have a mutual interest to that end.

Cooperation would be required even in the determination of the amount, if any, by which acreage or hog marketing would be reduced in the quotas annually given each producer for the next marketing year. The Secretary of Agriculture could make the decision only with the advice of the States, which means essentially that of the producers themselves.

Application of the plan is limited to the four products in which there is an exportable surplus—wheat, hogs, cotton and tobacco—because a world market is required as a base to support the tax imposed upon the processor. In the case of hogs this would be reinforced by a continuous control of the volume marketed. In a wholly domestic market there would be no such foundation to carry the tax. The tax to be paid by the processors cannot be called a sales tax unless pre-war prices of foodstuffs included a sales tax, because the plan could not be used to bring prices above the pre-war exchange levels.

Within sixty days after the enactment of the measure, promised early in the forthcoming special session of Congress, it will be possible to distribute to producers of these four products adjustment certificates totaling more than \$750,000,000. By the simple device of making certificates eligible for discount at the Federal Reserve Banks, they would be made immediately usable as bank collateral. Self-financed by the proceeds of the excise taxes, these payments in restoration of pre-war purchasing power of the farmer would place no burden upon the Federal Treasury either in expenditures or in financing.

Injection of new credit into the arteries of business would establish immediately a new purchasing power far greater than that added to the income

of hog and cotton raisers by last Summer's brief advance in prices. It will be remembered that the increase of between 2 and 3 cents per pound on those two commodities was about all that could be found to account for the mid-year's spurt in business, which many believed indicated the end of the depression. Significantly enough, it lasted only until those two prices fell again to their former levels. But in the meantime the quotations on New York stocks had advanced \$12,000,000,000.

This voluntary domestic allotment plan is the logical method of meeting the farm crisis, because it is a specific remedy for a specific ailment. Loss of purchasing power, as measured by pre-war exchange, has created the farmers' dilemma. By increasing the returns for market-controlling farm products, this plan should restore the purchasing power of all farmers to the pre-war level, when agriculture did get along and did get ahead.

If it is true, as is so often declared, that it is an advance in commodity prices—particularly the price of farm products—that always leads out of a depression, if it is true that the one sound basis for prosperity is an equitable distribution of the national income between various groups, then return of agriculture to parity with other industries, through the enactment of this plan, should be the means of bringing better times for the whole country. As for the \$10,000,000,000 of mortgages and the other billions of claims upon the farmer, they will be realized only if he is given the income out of which to make payment. For the school districts and counties and States of the farm belt which are now threatened so seriously by tax delinquencies, the only hope is an increase of revenues by the restoration of the taxpayer's ability to pay. For 50,000,000 people that means the ability of agriculture to meet its operating costs and to have something left.

Warfare in the Chaco Jungle

By JOHN W. WHITE

Chief South American Correspondent, The New York Times

FOR more than seven months Bolivia and Paraguay have been fighting a war in the Chaco that has given rise to several battles which, with the exception of Gettysburg, have been unequaled in the history of the Western Hemisphere. This is no Latin-American revolution, but a modern armed conflict between two sovereign nations which are straining all their resources to supply their armies with long-range guns, high-explosive shells, machine guns, bombing and pursuit planes and all the other equipment with which a modern war is fought.

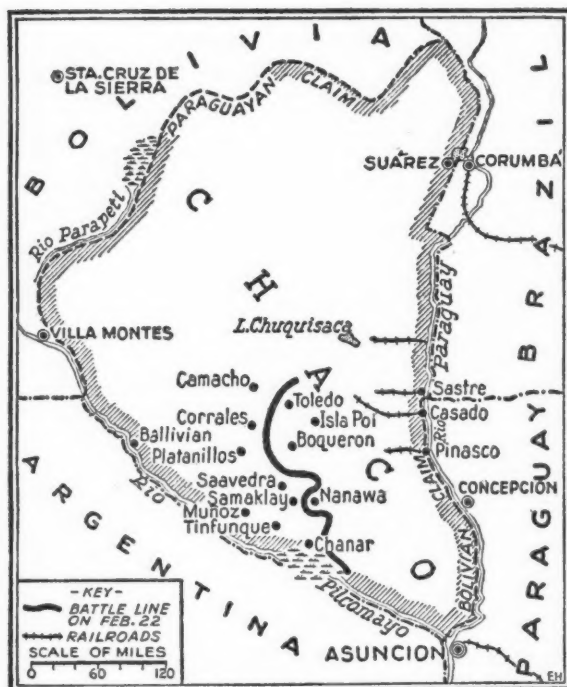
At the moment neither Bolivia nor Paraguay will admit that the other has the slightest shadow of a claim to the Chaco region; yet both have admitted that the other has legal claims that would receive the careful attention of any court of arbitration. At various times they have entered into treaty agreements which recognized these rival claims, though none of the treaties has ever been ratified, and both litigants now insist that they are fighting a defensive war against the unjustified and illegal armed invasion by the other.

The Chaco region is a triangular area which is bounded on the east by the Paraguay River, while the Pilcomayo River runs southeastward along the other side of the triangle. On the west the Chaco ends where the low-lying foothills of the Bolivian plateau blend into the plain along the sixty-third meridian. There is no recognized geographical limit to the north, but the Chaco is usually understood to be that area lying south of the nineteenth parallel which runs through the Bolivian river port of Puerto Suárez and the Brazilian port

of Corumbá, on the Paraguay River. The area is, roughly, 115,000 square miles—about the size of Arizona.

It was not until October, 1879, that any attempt was made to fix a boundary line through the Chaco. The attempt was not successful, and the question has been the subject of more or less sustained conflict ever since. Both countries are agreed that their controversy should be settled on the principle of *uti possidetis*, which leaves belligerents in possession of what they have acquired by arms during a war. When the South American republics won their independence from Spain they agreed to fix their frontiers along the boundary lines which separated them as colonies of the Crown. The *uti possidetis* of 1810, therefore, would be the boundary line of the colonies as they existed in 1810, which seems simple enough until it is learned that Bolivia says it means "you remain with what you had" and Paraguay says it means "you remain where you were." In the present case these two definitions are so hopelessly divergent that only outside assistance or interference can settle the Chaco dispute.

Bolivia claims the Chaco to the confluence of the Pilcomayo and Paraguay rivers at Asuncion by right of crown titles and *cedulas* which fixed the Pilcomayo and Paraguay rivers as the boundaries of the colonial territory which fell under the jurisdiction of the *Audiencia de Charcas*, a crown tribunal which sat at Sucre, the legal capital of Bolivia. After the wars of independence, the territory which had been under the *Audiencia de Charcas* became the Republic of Bolivia. Bolivia maintains, therefore, that it



The disputed Chaco region

"had" the entire Chaco under the *uti possidetis* of 1810.

Paraguay, on the other hand, also has crown titles and documents which, it is maintained, give it possession of parts of the Chaco, but European knowledge of South American geography in the seventeenth and eighteenth centuries was even more confused than it is now. Paraguayan claims, however, are based more on the discovery, exploration and colonization of the Chaco before 1810; thus under Paraguayan definition of *uti possidetis* that nation is entitled to occupy the region. The founders of Asunción crossed the Paraguay River and started toward the Bolivian plateau in search of gold. Colonists followed, and Paraguay had so well established itself in the southern part of the Chaco along the Pilcomayo River that when in 1878 President Hayes was asked to act as arbitrator between Argentina and Paraguay, he

awarded to Paraguay that part of the Chaco lying west of the Paraguay River, north of the Pilcomayo River and south of the Rio Verde, which flows from west to east just south of the twenty-third parallel.

The stage has, therefore, long been set for war. The wonder is that it was delayed so long. Both armies had been modernized. The Bolivian Army had been efficiently trained by a German military mission composed of officers who had had considerable experience in the World War. Similarly, the Paraguayan Army had been under an equally experienced French mission. About a year before the war started the French mission in Paraguay was replaced by one from Argentina. Gradually Bolivia and Paraguay ad-

vanced their military positions in the Chaco until their parallel lines of so-called forts almost met along the sixtieth meridian. Each had fourteen positions in the main line of forts which have since been in the fighting.

Most of these forts are stockades or small groups of wooden and adobe buildings used for housing the garrisons. Only the more important ones have roofs. When the war started in July, 1932, but two of these positions could by any stretch of the imagination be called forts—Muñoz on the Bolivian side and Ayala, or Nanawa, on the Paraguayan side are fortified positions of real military importance. As the average distance between the lines was about fifteen miles, it was inevitable that the scouting detachments of two hostile armies so close together should clash; it was also inevitable that one of these clashes would eventually lead to reprisals and then to war.

The skirmish which occurred in June on the shores of Lake Chuquisaca, far to the northward, was merely one of several clashes which have occurred within the last few years between two small detachments which unexpectedly found themselves face to face and felt it their patriotic duty to shoot. On one side of the lake a Paraguayan corporal and his squad were garrisoned in a thatched hut which the Paraguayans called Fort Pitiantuta. A small road-surveying detachment of Bolivians arrived on the opposite shore and prepared to establish themselves there. When the Paraguayan corporal and his squad objected, the Bolivians routed them and occupied Fort Pitiantuta. Paraguay, considering its national honor offended, sent a large detachment to recapture Pitiantuta from its Bolivian occupants. Now Bolivian national honor was involved and the Bolivian general staff did not consider that the offense had been expiated until Bolivian troops had captured three Paraguayan forts—Boqueron, Corrales and Toledo. In the months that followed thirty so-called forts have changed hands and approximately 50,000 men have been killed, wounded or captured or have died of thirst, disease or snake-bite.

Boqueron, like most of the Chaco forts, is surrounded by jungle. In June or July, 1932, it was garrisoned by eighty men under a Lieutenant, who, discovering himself badly outnumbered, decided to abandon the fort and retire to Isla Poi, twenty-six miles to the northeast. When the band had proceeded some distance, the Lieutenant ordered his detachment to continue on its way while he disappeared into the thick undergrowth with half a dozen picked men and three machine guns. They remained hidden in the brush until the Bolivians, who were pursuing, returned to Boqueron. Then the Paraguayans silently made their way through the jungle back to the fort, arriving after the Bolivians had completed a thorough search which

convinced them that no enemy was in the vicinity.

The Bolivian commander mustered his men in the small clearing in front of the fort, congratulated them on their victory and ordered the Bolivian flag to be raised. As it started slowly up the mast, three machine guns barked out from the foliage of three trees in the jungle overlooking the clearing. The Bolivian commander was one of the first to fall; dead and dying Bolivians were scattered all over the clearing before the others got under cover. The Paraguayan Lieutenant and his men arrived at Isla Poi the next day, the jungle having covered their retreat. It was a typical Chaco war incident.

The war actually started when Paraguay attempted to recapture Boqueron. The Paraguayans had learned that Bolivia was planning an offensive against Isla Poi for Sept. 11, 1932. Two days before that date, the Paraguayans attacked Boqueron, only to find that the modest position they had abandoned a few weeks earlier had been converted into a real and impregnable fort. Now it was surrounded by efficiently constructed trenches, arranged in échelon and strongly protected by heavy hardwood logs and entanglements. Machine-gun nests, some of them two stories high, defended Boqueron in every direction, raining bullets on the attacking Paraguayans. One or more machine-gun nests had an uninterrupted sweep of every road or trail by which the Paraguayans could approach and the Bolivians were abundantly supplied with ammunition.

At once it became apparent that the fort could not be taken by assault. Colonel Estigarribia, the Paraguayan chief-of-staff, therefore decided to besiege it, Boqueron thus becoming the first example on American soil of warfare on modern lines. It has been said that Bolivia at no time had more than 750 men in Fort Boqueron, but they had established their defenses so efficiently that for twenty-three days

practically the entire Paraguayan army was held at bay. Boqueron was finally surrendered to 12,000 of the enemy. Its defenders had been defeated by thirst rather than by arms.

From the first the Bolivians demonstrated their superior military training and discipline. The Paraguayan army for generations had been merely a collection of regiments of hard-fighting volunteers recruited in various parts of the country by local chiefs who have military titles but no technical military training. The Paraguayans prefer the machete to the rifle, and glory in hand-to-hand combat. In the early days at Boqueron they stormed the outer defenses time after time, calling the Bolivians cowards and daring them to come out of their trenches and fight. Of course, the Paraguayan losses were enormous. In one instance the Bolivians remained under cover until an entire Paraguayan regiment of 600 had clambered over a stockade; then the order was given to fire and the Paraguayan regiment was wiped out within a few moments after its commanders had telegraphed to the Paraguayan headquarters that Boqueron had been recaptured.

After that incident the newly mobilized Paraguayans were moved up to Boqueron as rapidly as they could be equipped for service. To prevent the arrival of Bolivian reinforcements the fort was entirely surrounded. During the three weeks' siege that followed there was heavy fighting in the vicinity of Boqueron, but most of it was with Bolivian detachments which were trying to reach the fort, rather than with the fort itself.

Water for the Paraguayans had to be brought twenty-six miles from Isla Poi under cover of night to escape the bombs of the Bolivian airplanes which flew over the two roads seeking to destroy the water convoys. For man and beast water had to be carefully rationed. The horses of the cavalry were sent far to the rear and those horses which were kept at the front

as indispensable received a soup plate of water every other day. The Paraguayans soon found and cut a hose by which the Bolivians were being supplied with water from a well several miles in their rear; after that Fort Boqueron was doomed. Corpses had fallen into the only well within the fort's enclosures and Paraguayan sharpshooters picked off the thirsty soldiers who tried to crawl on their bellies to a small puddle in No Man's Land. By day and night there rose within Boqueron the pitiful cry for water. And it was echoed from the equally thirsty boys in the Paraguayan first-line trenches. For those within, the water never came; for those outside, it came at long intervals, a few mouthfuls, counted out as carefully as precious medicine.

When Boqueron finally surrendered, on Sept. 29, the Paraguayans found themselves within striking distance of four small Bolivian forts—Yucra, Ramirez, 14 de Diciembre and Lara—in which the Bolivians were concentrating fresh troops. To prevent a renewal of the Bolivian offensive from these positions, the Paraguayans attacked and easily captured them, obtaining possession of several square miles of hitherto unknown territory.

Bolivia now rushed reserves to the Chaco. The Bolivian general staff had evidently underestimated the time it would require to put a Paraguayan army into the field. But early October found 20,000 Paraguayans under arms, while the Bolivian army had been left to its own devices because the government at La Paz was occupied with a Cabinet crisis.

The moment was opportune for a Paraguayan offensive. In the fighting which followed, Paraguay not only recovered Toledo and Corrales, but broke through the main line of Bolivian forts and, capturing them, one by one, without serious fighting, advanced southward as far as Saavedra and northward and westward through Platanillos, Bolivar and Loa. During October and November Para-

guayan troops captured thirty Bolivian forts and positions, pushing the Bolivian line back fifty-six miles to the north and fifty miles to the west of the positions which Bolivia occupied when the war started. Between 4,000 and 5,000 square miles of Chaco territory which had never before been under Paraguayan domination were occupied.

At Fort Saavedra Bolivia finally rallied, the politicians at La Paz having settled their differences. On Dec. 1 a battle began there which was to be the most stubborn and sanguinary fought so far. Saavedra is situated at the junction of three roads about thirty-five miles east of Fort Muñoz, Bolivia's most important position in this part of the Chaco. One of these roads runs westward to Muñoz, one northward to Alihuatá and Fort Arce, the third southeastward to the Bolivian forts Cuatro Vientos, Tinfunque, Sorpresa and Chañar. Saavedra, Cuatro Vientos, Tinfunque and Sorpresa serve as outer defenses of Muñoz, the concentration point for men and supplies destined for the other Bolivian forts.

The Bolivians entrenched themselves at Saavedra and captured the Paraguayan fort Samaklay, or Aguarrica, ten miles east of Saavedra, thus establishing a salient which the Paraguayans have never been able to straighten out. Profiting by their experience at Boqueron, the Bolivians constructed their defenses at a considerable distance from both Saavedra and Samaklay to prevent their being invested.

The region about Saavedra is heavily timbered, though the fort itself is situated in a clearing. North of Saavedra is a wide belt of heavy timber, beyond which is another clearing. This second clearing is four miles and a half from Saavedra on the road to Alihuatá and is called Kilometre Siete. It was at Kilometre Siete that the famous battle of Saavedra took place, and it was there that the Chaco war reached the climax of its horrors.

Fort Saavedra itself is only a group of log and adobe buildings, but in the timbered belt between Saavedra and Kilometre Siete the Bolivians constructed a veritable Hindenburg line of trenches upon which the Paraguayans were unable to make any impression. The trenches run the entire length of several small islands of thick timber which are separated from one another by narrow clearings. Machine-gun nests, most of them two stories high, are mounted at each end of the trenches to prevent the attackers making any headway through the clearings.

The Paraguayans, digging themselves into individual trenches facing the Bolivians, brought up their artillery and mounted it in the woods behind their lines. For a month they tried unsuccessfully to make some headway toward the fort. From La Paz, Bolivia sent long-range Belgian mortars which are admirably suited for use at Saavedra, where the woods are so thick that direct artillery fire is impossible. The mortars set up behind Saavedra dropped barrage after barrage of shrapnel into the clearing where Paraguayan soldiers were lying on their bellies in individual trenches, cursing all the feminine ancestors of an enemy who would not come out and engage in hand-to-hand combat.

Each day was like the day before. Hostilities began before dawn with an artillery bombardment from both sides. As soon as it was light the big Bolivian planes roared out over the Paraguayan positions, swooping down occasionally to use their machine guns, but usually flying high to avoid the anti-aircraft guns, many of which the Paraguayans had captured from the various Bolivian forts which had fallen into their hands. By the time the sun was up, hell had broken loose in all its fury. Planes roared as they swooped and climbed again; big shells whined overhead; the Paraguayan guns boomed and banged behind; while from far in front came the deeper hollow roar of the Bolivian

mortars. Machine guns kept up an incessant sharper clatter, and the deafening explosion of big shells was accompanied by the screams of dying men and the shouts and curses of those who were sure one more kind of noise would drive them insane. And then it would come—the diabolical, taunting scream of a siren which one of the Bolivian aviators had attached to his exhaust.

By 11 o'clock the heat was so intense that hostilities had to be suspended until 4 or 5 in the afternoon. Sometimes the bedlam would be renewed in the cool of evening; sometimes there would be only a few exchanges between the artillery. Through all the roar and thunder, the Paraguayans kept alert for one sound—the order, "Charge with bayonets." Anything was better than lying there on their stomachs. But their charges were useless. When, two or three times, surprise night attacks were tried, the Bolivians immediately sent up star shells and flares; the night attacks accomplished little.

When General Kundt returned from Germany to take supreme command of the Bolivian forces, 20,000 men were engaged at Saavedra. He relieved the Paraguayan pressure against the fort by moving fresh troops into the Chaco by way of Ballivian, Cabezon and Platanillos. He recaptured Platanillos and Corrales and threatened Boqueron and Arce. Then he began a new advance in the south against Fort Nanawa, or Presidente Alaya, Paraguay's most strongly fortified posi-

tion. By Feb. 1 Paraguay was again on the defensive along a front of approximately 250 miles, extending from Camacho, in the north, to Tinfunque, in the south. In many places, especially near Nanawa, the troops were surrounded by swamps and floods which prevented the movement of large detachments, and it was not expected that further important advances could be made until April, when dry weather returns.

Without seeking to weigh the merits of the rival claims of Bolivia and Paraguay, it can be said that the Chaco war is a by-product of South American politics. Unlike European wars, no vast business interests are involved. The Chaco hides no wealth of natural resources to tempt foreign concession hunters. But long ago weak South American Presidents found that the most effective way of defending themselves from revolution was to stir up a war scare. The Chaco has served this purpose so often in both Bolivia and Paraguay that the people of both countries are convinced that the problem can be solved only by war. The tail is now wagging the dog and neither government dares to make a move toward peace. President Guggiari of Paraguay was forced to resign because he tried to put down a student movement in favor of war in the Chaco, and one of the most able Foreign Ministers Bolivia has ever had was forced to resign and is now living in exile because he believed there was a peaceable way of settling the problem instead of going to war.

BUENOS AIRES, Feb. 1, 1933.

Iraq's Rise to Nationhood

By WILLIAM C. BAGLEY

[The following article is based upon the author's experience and observation as a member of a commission appointed by the Iraqi Ministry of Education in 1931 to recommend an educational program for the kingdom. Dr. Bagley is Professor of Education in Teachers College, Columbia University.]

IRAQ, the youngest of the sovereign States, occupies a territory renowned in history. For thousands of years the rich alluvial plain between the Tigris and the Euphrates Rivers supported successive indigenous civilizations, the latest of which was already decadent when Bagdad was sacked by the Mongols in 1258. For nearly seven hundred years aliens ruled Mesopotamia; after the Mongols came the Tartars, the Turkomans and the Persians, then the long alternation of Persians and Turks—a stranglehold which at last was broken by the British conquest and occupation during the World War.

Under a British mandate from the League of Nations the Kingdom of Iraq was set up in the years following the signing of the Treaty of Versailles. Later the mandate was so modified that the partial sovereignty of Iraq was recognized, though most of the governmental functions still remained under British supervision. On Oct. 6, 1932, however, Iraq, on the recommendation of Great Britain, was admitted to the League of Nations as a member State possessing full sovereign powers, and thus, after nearly seven centuries of rule by alien races, the rich valley of the Tigris and Euphrates is once more inhabited by a free and independent people.

The population of Iraq is predominantly Arab, though small minority groups of Kurds and other races dwell

in the north near the Turkish frontier. In religion, sometimes an all-important factor in the East, the Iraqis are almost wholly Mohammedan. Such racial and religious homogeneity might be expected to provide a substantial basis for national unity. But in the case of Iraq this is not entirely true because of the tenacious character of Arab political traditions, which tend strongly toward decentralization. Alien control, even for many centuries, would not in itself have prevented the development of a nationalistic spirit. Among the Iraqi Arabs, however, tribal loyalties and intertribal enmities have been supreme. In a real sense these traditions have been a condition of survival. The desert provides at best only a precarious subsistence, and the intertribal raids have been an essential element in the economy of the desert. There have been alliances for temporary purposes, but the unification of all the tribes on a national basis was another matter. Iraq, indeed, reflects on a small scale the problem that the world faces in attempting to outlaw war and insure international unity. The tribal loyalties of the Arabs are in microcosm the national loyalties of the western world. Tribal particularism and tribal rivalries are among the most important problems that Iraq has to solve.

Although the pure nomads are decreasing in number they still constitute an important part of the population of Iraq. They live as the nomads have lived for thousands of years, except that intertribal raiding has been greatly reduced by the government through the use of the military airplane, which greatly facilitates the



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detection and punishment of raiders. Desert tribesmen who have successfully defied punitive expeditions of infantry, cavalry and artillery for centuries admit that they cannot cope with the airplane and the tank. However much one may admire the courage and independence of the nomads, the stamping out of warfare among tribes is a necessary step.

Gradually and in recent years more rapidly the nomadic tribes have been giving up the desert life and have settled on the irrigated lands. Nearly one-half of the population of Iraq is now made up of these settled and partially settled tribes. The proportion is increasing each year, for motor transport across the desert is rapidly displacing camels, the breeding of which for the caravans has, throughout the ages, been the principal livelihood of the nomadic tribes. The development of motor transport began five years after the close of the World War, when an Australian officer of the British Expeditionary Forces blazed a motor trail across the Syrian desert—a bee-line from Damascus to Bagdad. A trip that often required more than a month by camel over a circuitous route is now made in twenty-two hours by truck or bus over a compass-laid trail. Other motor routes connect Bagdad with Teheran and

trading centres to the east. The caravans cannot meet this competition, and what one of the Iraq leaders has called "camel unemployment" has been the natural result. Many tribes have, for this reason, been forced to abandon the desert and to settle in the farming regions.

The settlement of the former nomadic tribes, however, has not meant the abandonment of their desert traditions. Their principal loyalties are still tribal loyalties. Even tribes that have been settled for years count their numbers on the basis of "fighting men." Skill in horsemanship and marksmanship continue to be the prime masculine virtues and the rifle, the pistol and the dagger are very much in evidence.

The traditions of the desert persist in other forms. To the nomads of the desert water has been and still is a precious commodity to be used most frugally. To employ water in the interest of cleanliness would be extravagance. As long as the nomadic life continues the effects of unhygienic living conditions are offset in part by frequent movement from place to place and by the germicidal influence of sunlight and the desert air. When the tribes settle, however, hair tents give place to ill-ventilated reed houses or mud huts; filth accumulates and disease germs multiply. And although there is an abundance of water in the irrigated sections, the desert taboo against the free use of water still persists. Many other desert-born customs have acquired through the ages a ritualistic sanctity that persists tenaciously after the desert has been left behind. Under such conditions it is small wonder that the death-rate among the settled tribes and especially infant mortality are high. Scourges such as cholera and typhus seem to be well under control, but a particularly obstinate disease of the kidneys prevails among a large proportion of the inhabitants of the irrigated regions. It has a debilitating effect re-

sembling that of the hookworm disease. Infections of the skin and eyes are also endemic and 80 per cent of the people are said to be afflicted with trachoma.

The wealth of Iraq in natural resources is beyond question. The soil is remarkably fertile and needs only irrigation and drainage to make it highly productive. The opportunities for the irrigation of the plain between the rivers are unique since the bed of the Euphrates is somewhat higher throughout most of its course than that of the Tigris, and since the plain slopes slightly toward the latter. Only a beginning has been made toward realizing these possibilities; indeed, the earlier Mesopotamian civilizations employed irrigation on a vast scale. Automobiles are driven for miles along the beds of ancient ditches that are wider and deeper than those in use today. A much larger proportion of the plain was under cultivation at that time and the area was much more thickly populated. Even as late as the tenth century Bagdad was reputed to be the largest city in the world, with a population of 2,000,000. Its population today is not an eighth of this figure.

Modern Iraq, however, has important resources that were not available to ancient Mesopotamia. In the northern and northeastern sections of the country there are oil deposits that are among the richest in the world. As Iraq itself lacks capital a concession has been granted to an international syndicate to develop the oil fields. Cheap fuel is already available for the pumps which are used in irrigating land that cannot be watered by gravitation from the ditches. There are prospects, too, that oil will be used as a source of power for manufacturing; and most important of all are the possibilities of exporting oil. Two great pipe lines, already under construction, will carry the petroleum from the Mosul field in Northern Iraq across the desert and mountains of Syria and

Palestine to the Mediterranean. Even now a considerable revenue is derived from the oil concessions. The Iraqi Government wisely devotes this revenue, which amounts to \$1,500,000 annually, to permanent improvements rather than to current expenditures. In anticipation of increasing royalties from petroleum a five-year program has been inaugurated for the development of extensive irrigation projects and for the construction of roads and bridges, schoolhouses, postoffices and other public buildings.

Other forms of mineral wealth may be found in the mountains which form the northeastern frontier, but even apart from such further discoveries Iraq must be recognized as a country of great potential wealth. Its present population, including the nomadic tribes of the desert regions, is estimated at about 3,000,000. Yet the resources are such that a population of 20,000,000, or even 30,000,000, could easily be supported. Thus Iraq is one of the few underpopulated countries of the Eastern Hemisphere and offers opportunities for settlement and development that can be equaled in few other parts of the world.

Unfavorable economic conditions at present handicap the development of the country. Owing to the world-wide depression the export trade in cotton, wool, fruit, grain and other agricultural products has sunk to a low point. At the same time, the first business of any government, the establishment and maintenance of order, necessarily consumes a large part of the revenue. The standing army, while relatively small, is larger than would be necessary in almost any other country of similar area, for a considerable part of the population is still made up of desert and semi-settled tribes, among whom, it is said, there are 50,000 rifles as against 10,000 in the Iraqi Army. The army must be well equipped, therefore, with airplanes, tanks and machine-guns if it is to maintain its supremacy and insure order. In addi-

tion to the military establishment a semi-military constabulary must patrol the roads and trails that connect the towns and villages, for except where the land is irrigated the plain between the two rivers is a barren desert with surface features well adapted to banditry.

Undeterred by the number and magnitude of obstacles, the leaders of the new State are resolutely facing the task of molding its people into a unified nation and of realizing the rich possibilities now undeveloped. They recognize that the problem is fundamentally one of education.

Of first importance is the improvement of hygienic conditions, especially in the villages and among the settled and semi-settled tribes. This will involve the abandonment of many of the deeply rooted customs to which reference has already been made. It will necessitate at first the recruiting and training not so much of teachers in the usual sense of the term as of public-health instructors, of teacher-nurses.

Next to be desired is a change in the attitude of the tribesmen toward labor. For centuries the nomad has looked with disdain upon the farmer. It will take time to develop a respect for and pride in competent workmanship in the pursuits of a settled life, but the task is not impossible.

The extension of literacy on a universal scale is a third important objective. In so far as the purely nomadic tribes are concerned, the obstacles appear insuperable, but with the settling of the nomads this will become a less difficult problem. The efforts of Iraq's educators are seriously handicapped by the difference that exists between the vernacular and the language of literacy, which is a modification of classical Arabic. As in other countries where illiteracy prevails, many of those who have had the advantages of schooling have found employment in the government service. Education has come to be associated

with a government job, and the consequences when the supply of such jobs becomes exhausted are most unfortunate. For example, the Iraqi school of agriculture was discontinued because all government posts, principally in the irrigation service, were filled. Further appointments to new jobs were unlikely, and students refused to attend the school. Individual initiative and enterprise are woefully lacking, although the vast undeveloped wealth of the country literally cries out for these qualities. As long as schooling is limited to a relatively small part of the population this condition is likely to continue.

Clearly related to the problem of developing individual initiative and enterprise is another vital need which has its roots in the mental habits and attitudes that developed during a long period of absolute and alien rule. It arises from the almost complete absence of a collective sense of responsibility on the part of the local community. The first recourse is always to the central government. Under a despotic rule, if the central government fails to provide relief or protection or whatever may be needed at the time, it is the will of Allah. When a measure of freedom prevails, as in the new Iraq, any failure of the central government to do something for this or that community is almost certain to arouse sharp criticism of the government, but there is little likelihood that the community concerned will undertake to remedy matters itself.

The situation that thus arises is intensified by the tribal loyalties and the lack of national unity which have already been mentioned. The Iraqis generally do not as yet recognize that the government, whether of the kingdom or of the vilayet (the county), is *their* government, and that they must assume collective responsibility through their ballots and through their representatives in Parliament for its efficiency. For centuries the collective problems of the Iraqi people

have been solved for them, in so far as they have been solved at all, by central authorities, and it is scarcely to be expected that the deeply rooted habits of dependence then developed can be uprooted merely by the change to a liberal form of government. Education alone can eradicate the old attitude.

Still another objective of Iraqi educational reform is the provision of opportunities for the enlightenment and liberation of women. Here again traditions and standards that have evolved through long centuries must be broken down, but it is encouraging to note that the Moslem leaders are practically unanimous in supporting the extension of education to women.

Under Ottoman rule in Mesopotamia only a beginning was made toward establishing an educational system. In 1913 about 6,000 pupils were enrolled in 160 primary schools. Religious instruction was commonly given in schools attached to the mosques and some of these provided a modicum of instruction in reading and writing. There were a few missionary schools. In the government schools Turkish was the language of instruction—an alien tongue to practically all the pupils.

Soon after British forces occupied Mesopotamia during the World War steps were taken to organize a system of public education. Under the direction of British officials schools were opened in Bagdad, Mosul, Basra and other centres; Arabic replaced Turkish as the language of instruction; promising Iraqi students were sent to the American University at Beirut and to other foreign schools; teachers' training colleges for men and women were established in Bagdad; two technical schools were founded to provide instruction in agriculture and engineering, and a school of law and a medical college were established.

Under the British mandate prog-

ress was slow but substantial, and the Ministry of Education was the first department of the Iraqi Government to be given over by the mandatory power to Iraqi control. A British adviser was still retained, but his duties were strictly limited to those implied in his title. During the year 1930-31 the schools of all types, both governmental and private, except the mosque schools, enrolled 50,000 pupils, and the government schools showed an increase of 20 per cent in enrolment over the preceding year. The total enrolment was about 1.6 per cent of the estimated total population. From this it can be seen that Iraq still has a long way to go before the goal of universal education is reached. Encouraging progress has been made, however, and Iraq begins its career as a sovereign State with the foundation of its educational system firmly laid and with a corps of well-trained and competent educational leaders who have been selected solely on the basis of ability and without regard to race or religion. These officials, moreover, are young and full of enthusiasm for their task.

It is well within the range of possibility that the Iraqis, inspired by independence and responsible sovereignty, may ultimately make their country the centre of a new Arab civilization. Though the Pan-Arab ideal appears likely to remain a dream, the movement to bring the Arabic-speaking peoples into closer cultural relationship has gained substantial headway. Both geographically and culturally the Arab world occupies a strategic position between the East and the West. Of all the Arab countries Iraq appears to be in the best position to assume leadership. Although it may never reproduce the material splendors of Babylon or Nineveh or Kish or the Bagdad of Haroun al Raschid, it may have a notable rôle in leading the Arab world to a respected and influential position in the world.

The Family in Soviet Russia

By SIDNEY WEBB

[The following article is the last in a series of six which Sidney Webb, the leading exponent of Fabian socialism in England, has contributed to *CURRENT HISTORY*. In these articles he has presented an account of many phases of the Communist experiment in the Soviet Union, basing his discussion upon personal observation and his long experience in the study of social problems.]

ON no part of the life of Soviet Russia is there in other countries so much difference of assertion (if not of opinion) as on what is happening to the institution of the family. On no subject, perhaps, is it so difficult to make either an accurate or a convincing statement covering either all aspects of the inquiry or all parts of the U. S. S. R. Let us try to build up, from some significant fragments of the problem, the nearest approach that can be made to a general conclusion.

We must begin by realizing the nature and the magnitude of the changes that the revolution has wrought in the position, first of the women of Soviet Russia, and then of the children and adolescents. Here, paradoxically enough, we may fairly leave out of account the only classes of women and children about whom Western Europe and America ever knew much! The tiny fraction of aristocratic women, together with the governess-trained wives and daughters of the lesser nobility, of the higher government officials, of some of the rural landlords and of the few wealthy employers, have practically disappeared from the Russian community. Some few were killed in the wild uprising of the peasantry in the first few months of the revolution, and some more in the outrages and reprisals that marked the ebbing and

flowing tides of the rival soldiery in the two years of civil war, for which the "White" armies, strengthened by the contingents of the United States, Japan, Great Britain, France and Czechoslovakia, were at least as much responsible as the Soviet Government. Many more have naturally died in the fifteen years that have elapsed. But by far the greater number got away in the successive emigrations, and they and their families now permanently form part of the population, not of Soviet Russia, but of France and Italy, Austria and Poland, Rumania and Greece, Great Britain and the United States. Only the minutest fraction of what was itself never more than a tiny section of the whole population is now in the U. S. S. R., and this infinitesimal remnant seems silently to have disappeared into the proletarian mass.

How much Russia has lost, on the disappearance of practically all its upper and middle class women of leisure with their standards of value and their refinement of manners, it would be hard to estimate. Of educated women engaged in professional work (as doctors, scientists, teachers or writers, or in music, dancing or the drama) the number was formerly relatively small; and of such of these as have not emigrated with the wealthier classes, a considerable proportion seem to have accepted, more or less sympathetically, the new régime, under which they promptly found their feet and continued their careers amid the rapidly growing number of women professionals.

What we have to concentrate attention on is, none of these relatively small groups, but the great bulk of the adult women of pre-war Russia, at

least nine-tenths of the whole, who were either the hard-working wives, daughters or widows of peasants, fishers or hunters or of independent handicraftsmen, or else domestic servants in superior households, or (in relatively small numbers) factory operatives, chiefly in textiles. There is little information available as to what that mystic entity "the family" in fact amounted to among these vast hordes of hard-working women, but pre-war native literature gives a dark picture. The great majority of them were illiterate and superstitious and in complete subjection to their husbands or fathers. It is not usually remembered that a large proportion of them, possibly as many as one-fourth, were Mohammedans, and were habitually veiled, with the status and ignorance that this implies.

Housing is still the weakest point in Soviet Russia, but in Czarist times, the homes of nine-tenths of the whole population, whether in town or country, were universally unsanitary, overcrowded and filthy, to a degree unknown in any but the worst of the city slums of Western Europe. The peasants were as continually decimated by disease, recurrent famine and premature death as in the Europe of the Middle Ages. They had next to no medical attendance. No doubt mothers loved their children, as they do everywhere, but it is clear that the child damage-rate and the infantile death-rate were alike enormous. Practically every workingwoman was aged before she was 50. As to the marital fidelity of husbands or the chastity of the unmarried daughters, there were naturally no statistics. But he would be the most sentimental of optimists, with the least possible acquaintance with peasant or factory life, who could imagine that, in these respects, pre-war Russia was any different from the Britain or the Germany of the seventeenth and eighteenth centuries, about which we seldom think or speak.

Now let us see what changes have occurred or are in progress. The first thing that the Bolshevik revolution brought to the women of Russia was their complete legal and constitutional emancipation; the second was their education on an equality with men; and the third was such a planning of the social and economic environment as could be devised to lighten, as far as practicable, the exceptional burdens of the maternal and domestic functions incident upon their sex. Thus women over 18 were at once given votes on the same conditions as men, with equal trade-union and co-operative membership, and equal eligibility for promotion. All occupations and all positions were thrown open to both sexes. No distinction is made between the sexes in wages or salaries, holidays or insurance benefits. No woman is deprived of her job on marriage, though she may, and often does, prefer to abandon it, perhaps only for a term of years, for child-bearing and motherhood. The laws relating to marriage and divorce, and their privileges and responsibilities, have been made the same for women as for men. It must be added that women working in industrial factories have been accorded certain special privileges and protection in the interests of the children no less than those of the mothers, such as sixteen weeks' continuous leave of absence on full pay round about their confinements, the right of taking time off without loss of pay to nurse their babies every few hours and the provision of a crèche at every industrial establishment, at which the young children may be safely left throughout the working day.

These changes, which few would object to characterizing as reforms, were, unlike so many that we have heard of, not merely enshrined in legislation. The visitor to the U. S. S. R. cannot fail to see them nearly everywhere in operation. In the various technical schools he will notice nearly as many girls as boys, learning

to be engineers or carpenters, electricians or machinists. In every factory that he passes through—and not merely in the textile and clothing trades—he sees women working side by side with men, at the lathe, the bench or the forge, often sharing in the heaviest and most unpleasant tasks as well as in the skilled processes. Women work in and about the mines and the oil fields equally with the men. On board the Soviet mercantile marine there is a steadily increasing number of women sailors, engineers and wireless operators, usually dressed as men, as well as stewards and cooks and cleaners. A large majority of the school teachers and more than one-half of all the younger doctors are women. In all the offices women swarm not only as stenographers but also as translators, confidential secretaries and responsible executive assistants.

Not a few institutions and establishments in the U. S. S. R. are under women directors or managers, often having under them many hundreds of men as well as women. Thus the present director of the vast Park of Culture and Rest at Moscow, which has 3,000 men and women employed in its varied establishments, is a woman. Women are found elected in nearly all the Soviets, to the number, in the aggregate, of certainly hundreds of thousands. There are, here and there, women Commissars (Ministers of State) in one or other of the constituent republics; they are to be found in nearly all the Ministers' collegiums; and there are always women at the head of some of the government departments. Mme. Kollontai, after filling other important offices, was for years the Minister representing the Soviet State successively at Mexico City and Oslo, and is now Minister Plenipotentiary at Stockholm.

It is universally taken for granted that, so far as pay is concerned, not only is there no distinction of sex

but also no inquiry as to whether a woman is or is not married or the mother of children. There is, accordingly, in Soviet Russia no such discouragement of matrimony as exists in Great Britain and some other countries, where the hundreds of thousands of women who are school teachers, civil servants and municipal employes are, in effect, forbidden to marry, under penalty of instantly losing their employment.

All this concerns, however, in the main, the women of the rapidly growing cities and other urban aggregations all over the U. S. S. R., together with such of the vocations, like teaching, doctoring and administration, as have to be exercised in town and country alike. The great majority of the women of Soviet Russia, as well as of the men, are connected with agriculture (together with hunting and fishing) or essentially with rural pursuits. What has happened to the wives and daughters in the 25,000,000 families of individual peasants, fishers and hunters? To them the revolution has brought the same legal and constitutional emancipation as to the women in industry and the professions. Even in the extensive areas in which Islam prevailed, the women have been set free, and many millions have abandoned the veil and are themselves learning to read and write, while rejoicing in being able to send their children, girls as well as boys, to the local school, and in an increasing number of cases to the technical college or the university.

The Soviet Government, in fact, is undoubtedly bringing to the country dwellers, year by year, a steadily increasing measure of the opportunities in education, medical attendance and social insurance now enjoyed by the cities, although in all these advantages the country necessarily lags behind the town. Thus, while in the cities there are varied educational opportunities for all the girls as well as for all the boys, and nearly every child is at school, this is naturally not yet

the case throughout all the vast area from the Baltic to the Pacific, and from the Persian frontier to the Arctic Ocean, including much that is occupied by primitive tribes or nomads. A steady stream of additional doctors, largely women, is, year by year, sent into the villages; while the number of maternity and general hospitals, large or small, accessible to at least a proportion of the villages, increases annually.

It must, however, be admitted that so long as agriculture is carried on by tiny peasant holdings of land, often dispersed in strips as in the England of the Middle Ages, there can be little improvement in the home environment or social position of the wives, daughters and widows. Thus there has so far been comparatively little alteration, except in legal status, in the beginnings of sanitation and in a little better provision of medical attendance and schooling, among the 30,000,000 or 40,000,000 of population who are still in that position. But these are now the backward areas.

The greatest change in the social circumstances of the peasant women began only five or six years ago with the concerted movement for the substitution of the collective farm for the individual small holding. This movement is still in progress, and reaches different heights in different places, both the number of collective farms and the degree of their collective organization showing a steady annual increase. Down to 1932 about 18,000,000 peasant holdings, with about 70,000,000 of population, had been more or less merged in about 226,000 collective farms, in some districts occupying the whole of the agricultural land. We need not consider here the vicissitudes of the movement, or the mistakes and failures that accompanied its progress, often, it is to be feared, with great cruelty to the recalcitrant kulaks (the relatively wealthy individual peasants). Nor can we critically scrutinize the measure of economic

advantage, in the way of mechanization and increased production which has, in varying degree, already resulted from the change. The very low level of efficiency, alike among the workers and in the management, plainly brings down the produce to terribly poor rations wherever and whenever the weather is unfavorable. Here we can deal only with its effect on the position of the women and children.

In a collective farm it is usual for the peasants to retain their own individual dwellings (or to erect new ones), each with its own garden ground, its own cow, and its own pigs and poultry. Only in a tiny proportion of cases does the collective farm take the form of a commune in which all the production is carried on in common and the whole proceeds are shared. Usually it is only the grain that is sown and harvested in common, the proceeds being divided between the government which has supplied the tractors (and often the seed and fertilizer), on the one hand, and the cooperating workers, male and female, each in proportion to the days or hours of labor actually contributed, on the other hand.

The collectivization does not usually stop at this point. The open meeting of adult residents, in conjunction with its elected committee, by which every collective farm is governed, presently begins to make such improvements as a modest grain store or a primitive silo, an improved dairy on modern lines, a new school building or a village hall, and presently a clubhouse, with its library, its dance floor and its cinema. Later there may be a crèche where the children can be safely left when the mother goes to work in the dairy or in the fields, a common kitchen and dining room in which such as choose may take their meals or purchase cooked food, and even a few bedrooms at a low rent for single men or widowers. Naturally, all this takes time, and the farms

differ as much in the rate at which the collective amenities expand as in the order in which they are adopted. What delays progress is the sly skulking and neglect of work manifested by many of the sullen peasants, together with the inefficiency of the management, which naturally has to be overcome, very largely by painful "trial and error."

But almost from the start there begins, for the women, a social revolution. Life as lived in the old cluster of timber-framed mud-huts that used to be the peasant village and labor as spent in solitude on the scattered strips of each peasant's holding become alike transformed. No one can know by personal inspection what is happening on as many as 226,000 collective farms. But a significant confidential report was lately made, not by any transient visitor but by a well-qualified informant who had seen the farms repeatedly in many different provinces, to the effect that, whatever the degree of efficiency attained, while the old man peasant had only unwillingly come into the new organization and was still sullen about it, his wife and also his children almost invariably rejoiced in the change.

For the first time in their lives they draw, by way of advance, a regular monthly sum of money for their individual spendings. Instead of working "all the hours that God made," as only peasants can work, they have now an eight-hour day (even the cows are milked three times in the twenty-four hours, and seem to prefer it so). Instead of the loneliness of isolated labor in the field they have, very generally, the pleasure of working in company. Instead of the dark, silent, muddy village in the evening, they have now, in greater or smaller degree, music and dancing, the radio, the cinema, the gramophone, sometimes a growing collection of books, and even occasional lectures. Even if the village cannot easily visit the city, the world is brought to the village.

The resulting emancipation of the wife and mother, as well as of the children, cannot easily be estimated. This is what has been happening during the past seven years, in varying degrees and at very different grades of efficiency of collective administration, to two-thirds of all the village population of Soviet Russia.

Let us now consider the changes affecting the children and the adolescents who, since not far short of one-half of the entire population of the U. S. S. R. is under 18 years of age, must number some 70,000,000. The biggest change since 1914 is that, instead of only one-third of the children (and these largely of the middle and upper classes) attending any sort of school for any period whatsoever, at least four-fifths of all of the children under 14 are now going through a greatly improved and considerably extended education curriculum. For every such child elementary schooling lasts at least to its fourteenth year, and in 1932 this school population numbered 21,900,000, half of them girls. This is an astonishing total—about three times the number in 1914, and one in eight of the whole population, being nearly as high a percentage as in Great Britain, and not so very far short of that in the United States.

An ever-increasing proportion of girls as well as boys go on to organized technical schools of secondary grades, nearly all of which are deliberately specialized in training for a particular set of cognate occupations. Beyond this stand, on the one hand, the array of factory schools where the young industrial recruit is, for months, actually taught the operating of the various machines, before he can be trusted with production, and on the other, a bewildering number (something like 1,000 in the U. S. S. R.) of technical colleges—these mostly remarkably well equipped—and both the old and the new universities, admission to which is facilitated not only by an effective preference

for the sons and daughters of proletarian parents but also by substantial maintenance scholarships.

In addition, something like 10,000,000, namely, all the young people between 8 and 25 who choose to join, are organized apart from schooling or employment in the threefold voluntary companionship of Octobrists (8 to 10), Pioneers (10 to 17) and Comsomols (17 to 25) in what competent observers describe as apparently the most promising course of mass training in "civics" that the world can show, in preparation, so far as concerns those of them who manifest outstanding character, for eventual admission at 25 to formal candidature for membership of the carefully chosen, highly exclusive and strictly disciplined Communist party.

This stupendous planning of the training of the children and youth of the entire Soviet State is, we may well believe, only imperfectly in operation. Like everything in Soviet Russia, the conception is superior to the execution. There is a great shortage of qualified teachers of every kind and grade. Many of the schools are still in unsuitable or extemporized premises. Accommodation is often insufficient, and occasionally the school works in two shifts. The quality of the instruction in the higher schools and colleges varies greatly, and matters are not improved by the recent expedient of shortening the term of training in order to turn out a larger number of half-trained engineers, doctors, teachers or what-not to meet the nation's most pressing needs. In all these respects, however, there is, every year, definite improvement. The U. S. S. R. is probably the only country in the wide world that during the past three years has been continuously increasing the public expenditure on education.

But more important than the plan for the education of the Soviet youth is the new spirit in which the present generation is growing up. To the

parents, in every form of propaganda, the main insistence is on respect for the emerging personality of the child and the utmost possible development of his or her individuality, having always in mind that the child is the future citizen and producer, whose individual capacity must be raised to the utmost. In the home, as in the school, there must be only the most sparing use of mere prohibitions. The child should always be induced to choose the more excellent way. To strike a child is, by Soviet law, a criminal offense. Parents are taught that punishment of any kind is felt by the child as an insult, and should as far as possible be avoided. Self-government must be aimed at in home and school, even to the discomfort of the elders, and even if there has to be some discreet "weighting of the alternatives" by parent or teacher in order to steer the choice.

To the child, even from tender years, in infancy as in adolescence, the incessant lesson is its obligation to serve, according to its powers, successively in the household, in the school, in the factory and in the State. To this end the children's needs are ceaselessly attended to. So far as government administration can insure it in so vast a country, whoever else goes short the child always has a full ration of milk, of clothing and of schooling, together with hospital and other medical attendance. Making every allowance for the imperfection of vital statistics, all the evidence points to a great and continuous decrease in the infantile and child death rates.

There are toys and games in every institution and on sale within reach of every parent, with ample provision for play and recreation out of doors as well as indoors. But the toys are as deliberately planned as the curriculum or the books—no tin soldiers and few dolls, but abundance of bricks for building, miniature tools for actual use, and working models of locomo-

tives, airplanes and automobiles, through which it is intended and hoped that the whole population may in time acquire "machine sense." The visitor may see, as the slogan on the gay poster decorating an infant crèche: "Games are not mere play, but preparation for creative labor." When the elder children go into camp in the Summer they are shown that it is immense fun not to "play at Indians," but to help the peasants in their agricultural work; one party of twenty was proud to be told that they were ranked, in the aggregate, as four grown men. The Pioneers find their joy largely in the voluntary "social work" that they undertake in groups, helping the younger or more backward children in their lessons, "liquidating illiteracy" among the adults of their neighborhood, clearing away accumulations of dirt or débris, forming "shock brigades" to reinforce the workers where production is falling behind the plan or when some special task has to be got through with a minimum of delay.

And these children stick at nothing! The Moscow Pioneers took it into their heads the year before last to wait upon many of the directors of the theatres and cinemas in order to give their own views upon the current productions, and to expostulate on their shortcomings and defects. In a small urban district some 200 miles from Leningrad the Pioneers undertook to "liquidate" the excessive consumption of vodka that prevailed. They got put up in every workshop the following appeal on posters manufactured by themselves: "We, your children, call on you to give up drinking, to help us to shut drink shops and to use them as cultural institutions, pioneer clubs, reading rooms, &c. * * * The children whose parents drink are always backward at school. * * * Remember that every bottle you drink would buy a textbook or exercise book for your child. * * * Respond to our call and give us the chance of being well-developed, healthy and cultured

human beings. We must have healthier home surroundings. (Signed) Your Children, the Pioneers of [the district.]" The school band then led a gayly decorated procession of children round the workers' quarters. They booed the men as they came out. A public meeting was held in which the children took the leading part. As an immediate result hundreds of workmen are reported to have promised to give up vodka.

This emancipation of children and adolescents, together with the constant encouragement of their utmost participation in social work of every kind, makes of course for a "priggishness" among the young and an attitude of criticism of their lax and slovenly elders which is not altogether pleasing to the bulk of their fellow-citizens of mature age. Thus the new cult of hygienic living among the Pioneers may be excellent, but their irritating habit of "opening windows in other people's houses" is frequently complained of by elderly relatives. But as an instrument of lifting the people of Russia out of the dirt, disease, illiteracy, thieving and brutishness of pre-revolutionary days the self-governing democracy of Communist youth appears to be extraordinarily well devised.

There arises the interesting question: "What is the sexual morality that is being evolved among the 5,000,000 or 6,000,000 Pioneers and Comsoms?" For this widespread organization of the Soviet youth involves intimate social intercourse between boys and girls. They are constantly together. They meet continually, not only in school or college but also in the hierarchy of meetings, committees, representative conferences and executives that constitute the League of Communist Youth. They associate in sports and games, in "social inspections" and "shock brigades" and in all sorts of voluntary social work. Hygienic self-control seems to be the dominant note, together with full responsibility for any offspring, a re-

sponsibility enforced by the strictly administered law as to parental maintenance of children by father and mother alike, according to their economic capacity. Subject to this emphasis on personal hygiene and parental responsibility, there is undoubtedly considerable freedom in sex relationships according to choice, without any sense of sin, but with the constant reminder that efficiency in study or production must not be impaired. You must not waste time or strength on sex. To do so is like indulgence in betting and gambling, alcoholic drink and even the smoking of cigarettes—"bad form" among the Comsomols.

Now these great and far-reaching changes among the women, children and adolescents of Soviet Russia, paralleled, of course, by no less important changes among the men, must inevitably have caused changes of like importance in the institution of the family. These changes require analysis. We may note, to begin with, that there is no sign of any decay of the family group which mankind has derived from its vertebrate ancestors, and which doubtless owes its great survival value to the advantage to the offspring of maternal devotion and prolonged personal care. Not even the most hostile critic reports any deliberate abandonment of children by their parents. Mother-love seems to be the same in Soviet Russia as elsewhere, and Soviet fathers appear to be just as much interested in their children as British or American. The children form just as much a part of the family circle as with the American or British wage-earning class. The crèche, the school and the college take the young people out of the home just about as much as the same institutions, within comparable income grades and similar household resources, do elsewhere. Whether children and adolescents are less obedient to their parents or more than contemporary British or Americans, it

seems impossible to compute. The answer to any such criticism is that the young people in all countries in the twentieth century are much less under their parents' thumbs, perhaps even less under their parents' influence, than was the case in the nineteenth century. There seems available no specific evidence that this particular emancipation has gone further in one country than in another.

What the foreign observer of Soviet intercourse among relatives chiefly notices is a great deal more frankness of speech and honest simplicity of judgment than among the more sophisticated and—to put it bluntly—more hypocritical middle-class families of the Western world. There is, perhaps, less cant. The child who is definitely taught to regard drunkenness as a degrading habit can hardly help applying the lesson to its own father equally with anybody else's father. The Pioneer is definitely taught that he has the duty of "liquidating illiteracy" in his own as in other people's families. The rebellion against dirt and unhygienic living has to be relentlessly carried on in all households. The Russian youth, in fact, is told that he ought to be just as much ashamed of bad behavior—meaning anti-social behavior—in those related to him as in himself. In short, the Pioneer and the Comsomol have to be at once persistent crusaders and active assistants in the nation's struggle toward better homes and better habits, as well as toward increased production. Whether in the long run this makes for better families or better tempered ones, or for worse, may be a matter on which opinions differ!

But what many critics have at least subconsciously in mind when they ask about the family in Soviet Russia is what they would regard as sexual morality in the parents. How do Russian husbands and wives compare in fidelity with those of other countries? There is, unfortunately, no available

yardstick for this comparative measurement. Moreover, comparison should be made class by class. If the inquirer belongs to the upper or middle classes of Europe or America, he must be reminded that the corresponding grades of the Russian population no longer exist in the U. S. S. R. The comparison can only be made between the peasant or artisan of the Western world and the Soviet wage earner in town or country.

It will be admitted by every visitor that to outward appearance Moscow and the other great cities of Soviet Russia are not only far more "decent" than they were under the Czar but also more than nearly all cities elsewhere. Dance halls, night clubs and cabarets have been almost universally suppressed. The Soviet stage, like the Soviet films, is concerned with other interests than sex and stands at the opposite pole from Hollywood. The supersession of profit-making publishing by that of the public authorities has, even more than the rigorous censorship, swept away all pornographic literature. Even the dancing of the Western world, with its promiscuous embracing, is forbidden as unhealthy eroticism, except where it is tolerated for foreigners only at one or another of the expensive hotels. There is, it is noticed, far less solicitation in the Moscow streets (and what there is, almost entirely foreign on both sides) than in any other European city of equal magnitude. All the evidence goes to show that among the Russians prostitution in the ordinary sense of the word has practically disappeared.

On the other hand, there is undoubtedly in Soviet Russia a greater freedom than in many other countries in sexual intercourse, based on mutual attraction and friendship, among the unmarried of both sexes and all ages. Such unions, which are utterly

without sense of sin, are condemned neither by law nor by public opinion, and they often turn into successful permanent marriages. Divorce is at the will of either party, but there is a strict enforcement of the legal responsibility of both parents for the maintenance of any offspring, according to their respective economic capacities. Anything like promiscuity, with or without marriage, is now seriously reprobated by opinion. "I do not want to inquire into your private affairs," Stalin is reported to have said to an important party member who was leading a scandalous life, "but if there is any more nonsense about women you will go to a place where there are no women."

We may perhaps sum up by saying that the great increase in personal freedom brought about by the revolution, together with the almost universal falling away of religious and conventional inhibitions, undoubtedly led, for the first decade or so, to greater instability of family life and to looser relations between the sexes based on mutual friendship. At the same time organized commercialized vice, in all the forms common in great cities of the West, rapidly diminished, even, as some competent observers declare, to next to nothing. During the past few years public opinion seems to have been moving strongly in favor of—to use a native expression—"stabilization," and any tendency to prompt, reckless or repeated divorce meets with condemnation. No general or centralized statistics permit of comparison between the numbers of divorces and those of marriages. Such figures as have been published for particular cities and years appear to show totals (and local variations) in Soviet Russia not markedly unlike those of parts of Scandinavia and different States of the United States.

The Promise of Progressive Education

By CLAUDE MOORE FUESS

[Though best known to the general public for his work in American biography, Dr. Fuess has been since 1908 a teacher of English at Phillips Academy, Andover, Mass., the oldest of the great American preparatory schools.]

WHAT is today referred to as progressive education was in its origin a movement of natural reaction against the pedantry, the formalism and the cruelty long prevalent in some schools, both in England and the United States. Dr. Samuel Johnson studied Latin about 1725 as a boy under Mr. Hunter, master of Lichfield School. In recalling him, the Great Lexicographer wrote:

"He used to beat us unmercifully, and he did not distinguish between ignorance and negligence, for he would beat a boy equally for not knowing a thing, as for neglecting to know it. He would ask a boy a question, and if he did not answer him, he would beat him, without considering whether he had an opportunity of knowing how to answer it. For instance, he would call up a boy and ask him Latin for a candlestick, which the boy could not expect to be asked. Now, sir, if a boy could answer every question, there would be no need of a master to teach him."

Such barbarous practices as these are now virtually obsolete. But schools still exist which attempt to pound facts into a youngster's head, which regard memory as more important than reason, and which permit the teacher to be a legalized tyrant, ruling with an iron and ungloved hand. Against such a system a protest was bound, sooner or later, to be raised.

The conventional theory upheld by

the Ichabod Cranes and Dr. Keates of bygone days was an outgrowth of Calvinism and declared explicitly, "You must enjoy this book; if you don't, I'll make you." As a boy in a Central New York high school, I was forced in preparation for college to plod through Johnson's *Rasselas*, perhaps the heaviest so-called "classic" in the language. When, in rebellion, I craved excitement and color, I was offered Emerson's *Compensation*, an essay as well fitted to the average boy of 15 as a full dress suit would be to a native of Borneo. Can I be blamed for turning in secret to "dime novels" featuring the fascinating Nick Carter and thus acquiring a taste for detective stories which has been the solace of many delightful hours? I read these sanguine and spicy yarns because I liked them. When the importance of interest as a motive for pursuing knowledge was officially recognized, a new philosophy of education inevitably developed.

The progressive education movement in operation is not very old. John Dewey's *My Pedagogic Creed* was first published in 1897; Abraham Flexner's article, "The Modern School," appeared in the *Review of Reviews* for April, 1916; the Lincoln School, in many respects the earliest organized revolt, was established by a subsidy from the General Education Board in 1917. Supported by such eminent authorities as President Eliot of Harvard, the agitation became nationwide. Dewey, thirty-five years ago a voice crying in the wilderness, has now become the apostle of a cult. In 1933 such institutions as the Beaver

School in Chestnut Hill, Mass.; the Buxton Country Day School in Short Hills, N. J.; the Tower Hill School in Wilmington, Del.; the Park School in Baltimore, the Lincoln School in New York and many others are avowedly progressive; and many public schools, notably those in Bronxville, in Garden City and in Manhasset, are run on progressive principles. The Progressive Education Association, founded after the World War, has more than 7,000 members, maintains headquarters in Washington and has published for almost ten years a magazine called *Progressive Education*. The literature on the subject is both extensive and provocative. Because of it, teachers have been led to re-examine their own purposes and to take their professional bearings. The educational waters so entirely stagnant in 1890 are now stirred to their depths, and it is not strange that they sometimes seem muddled.

Various motives led me some months ago to try to find out what progressive education really means and what it is doing. Coming as I do from a school which is old, and therefore generally thought to be conservative, I have been looked upon with faint suspicion. But I have attempted to keep my mind open and preserve the attitude of a learner, not a controversialist. I have read what John Dewey, Bertrand Russell, Gertrude Hartman, Eugene R. Smith, Hughes Mearns, Edward Yeomans, Everett Dean Martin, William H. Kilpatrick, Alexander Meiklejohn, L. V. Stott and many others have had to say upon the topic. And I am prepared now to summarize my conclusions.

No one can doubt, I think, that progressive education, regarded merely as critical of certain existing conditions, has been a healthful and valuable crusade. Most people have asked themselves why the process of learning should be looked upon by so many boys and girls as inherently disagreeable. Intellectual curiosity is presum-

ably a racial inheritance. Babies are born with an insatiable longing for information. Little children are incessantly asking, "Why?" "How?" or "What for?" Boys will gaze reverently on a grown-up who shows them how to fly a kite or to pitch a baseball. And then they are sent to be educated, and we have Shakespeare's

Whining schoolboy with his satchel
And shining morning face, creeping like
snail

Unwillingly to school.

Not only has he usually gone unwillingly. That is bad enough. But he has often felt that he was getting nothing out of the experience. Teacher and textbook have become not only wearisome but obnoxious, an ordeal ruthlessly prescribed by destiny as part of the transition from childhood to maturity. Nearly everybody in the teaching profession, except a few besotted reactionaries, has admitted that our procedure is in need of revision.

It is not very difficult to complain and object and criticize. It is less easy to formulate a constructive policy, especially one which will be unanimously accepted. Progressive education evidently relies on new methods; but it is hard for an outsider to discover a definition, or definitions, in which progressive educators are willing to concur. Professor Dewey's *My Pedagogic Creed*, accepted by his followers as the authentic gospel, is a document of extraordinary vagueness, rich in phrases whose sonorousness does not explain their obscurity. Of what practical value is it to an instructor in the Utica Free Academy to be told by Mr. Dewey: "I believe that education must be conceived as a continuing reconstruction of experience; that the process and the goal of education are one and the same thing," or to read this puzzling sentence: "I believe that the subject-matter of the school curriculum should mark a gradual differentiation out of the primitive unconscious unity of social life?" This sounds well, but to most readers it will mean nothing.

The teacher wants to know what to do. Professor Dewey, stimulating though he is, responds with nebulous ideas, out of which only the initiate can extract a workable scheme. I have found that many articles on progressive education tell me quite clearly what is wrong. But I know myself what is wrong. What they do not always do is to outline a policy or a method which will put good permanently in the place of evil.

The more active proponents of progressive education, indeed, are careful to point out, as one of them wrote to me, that its details are continually changing, some objectives being reached and new objectives being undertaken. In other words, it must be viewed as an attempt "to keep educators aware of the progress made in educational theory, and to keep the practice of education as nearly as possible in accord with the development of this theory." The *Journal of Education*, in the Autumn of 1932, collated answers from seventeen "experts in the field of education" to the blunt question, "What is a progressive school?" To many of the replies no sensible teacher anywhere could possibly take exception. Dean William F. Russell of Teachers College made this statement: "A progressive school is one that has respect for the traditions of the past sufficient to use them as a guide to future practice, but also has insight enough into the conditions of the present and the probable changes of the future so as to be willing and glad to institute changes." According to this definition, Groton, Mercersburg and Exeter would unquestionably have to be rated as progressive schools.

Some of the experts responded by presenting their own conception of "traditional schools," thus setting up an image of straw which they then proceeded to tear apart. Superintendent Samuel E. Burr of Glendale, Ohio, for example, said: "Traditional schools set up group standards which

are absolutely impersonal and which are quite rigid," a picture which is hardly accurate as describing any "traditional school" with which I am familiar. Several of the answers, furthermore, particularly disclaimed any kinship with radicals. Thus President J. Asbury Pitman of the Salem Teachers' College in Massachusetts announced: "The doctrine of the ultra-progressives that the child should always be allowed and encouraged to do what he pleases, when he pleases, and as he pleases is absolutely fallacious."

On the whole, the fairest exposition of progressive aims was that given by Dean Henry W. Holmes of Harvard, who said briefly that a progressive school "emphasizes freedom of movement for children, as natural and simple a life within the school as can be attained, and a substitution as far as possible of interest, enjoyment in work, and a sense of the real value of study for all ulterior motives and rewards and punishments." The only trouble with this is that most of my friends in the "traditional schools" would be willing to accept its essential principles as representing in a considerable degree their own ideals.

But, in spite of this lack of unanimity, progressive education has actually accomplished much when put into practice. I should like now to suggest what I have discovered, not only from visiting the schools themselves, but also by talking with their pupils and with the parents of their pupils. One finds, of course, that the extremes are very wide apart. Some progressive schools seem completely unstabilized and unsystematic; others are relatively cautious. Through them all, however, run certain theories which may be taken as typical.

First of all, the progressive school has been devoting an exceptional amount of time to studying, analyzing and prescribing for its individual students. One of the worst tendencies of old-style education was its dealing with a group of children as if they

were units in an army platoon to be handled in the same way, without attention to individual differences or abnormalities. The best progressive schools have accepted the educational philosophy of John Dewey, who, if I understand him correctly, holds that every person, young or old, is different from every other person, not only in fingerprints but in potentialities, fears and ambitions. Accordingly they confront each student with various psychological and aptitude tests through which they seriously attempt to do for his mind what a physician does for his body—to diagnose his weaknesses and correct them. These schools do far more than mark him 77 in one subject and 54 in another; they try to ascertain what his native ability is and to hold him up to the standard set by his own talent. Later, if he fails, he is not summarily discarded. An effort is made to detect the cause of his failure. His eyes may be strained; he may be disturbed by unhappy home conditions; he may be day-dreaming of some girl. In any case the schools feel a definite responsibility for each pupil. I have seen in the office files of such a school information of incalculable importance to its teachers.

In the second place, the school then adjusts itself to the requirements of the student. Dr. Eugene R. Smith has declared that a school "should fit the needs and possibilities of its pupils instead of confining its pupils by preconceived notions." Dr. J. Asbury Pitman states that a child's interests and activities "should always be regarded and used as means for his education." Carried to an extreme, this results in every possible concession to the wishes, even the whims, of a pupil. The saner progressive schools, however, insist on the development of the social instincts and thus arrange to have all but the very peculiar children work together. This adjustment of the school to its individual pupils means that each teacher must have a sympathetic understanding of those

under his or her instruction, and must be endowed with exceptional patience, kindness and tolerance. Any routine process of question and answer, based upon a textbook perused and memorized by the pupils outside the classroom, must be abandoned when each boy or girl has to be treated in a different way.

It follows also that the curriculum must be flexible, not fixed and "cut-and-dried." In the words of Dr. Jesse H. Newlon of the Lincoln School, "instruction ceases to be sequential." Few genuine progressive schools ever print in their catalogues a formal course of study for any given class in any given year. The procedure varies from month to month, depending on the quality and progress of the students.

Much stress is laid, especially in dealing with pre-adolescents, on the "project method," which works exceedingly well with younger children. It was of this that Dr. Henry Suzzalo was thinking when he wrote: "All progressive schools tend to make more than ordinary provision for self-expression, group activity, emotional outlet, physical activity, manual and particularly artistic self-expression, self-directed thinking and highly enriched and varied experience." At this period, the students visit docks and railroad stations and public markets, make models of buildings, study exports and imports and even trace the course of a crop, like cotton, from the seedling to the consumer. No contribution made by progressive schools has been more significant than its apparently successful attempt to provide an interesting and pleasant as well as a profitable experience for small boys and girls.

As these pupils grow older the project method is possibly less fruitful. In the Lincoln School, for example, candidates for college are put through a course of preparation not markedly dissimilar from that which they would have received at any of the "traditional schools" which aim to get their

students ready for Harvard and Yale. Progressive teachers assert that this is done because of the practical necessity of enabling their students to pass the examinations set by the College Entrance Examination Board; but the fact remains that drill leading toward the passing of the entrance examinations for college is not ignored in progressive schools. On the whole, however, the tendency in progressive education is unmistakably to get away from specific subjects, conceived of as water-tight compartments, and to link together all the elements of culture.

This has been accompanied by distinct improvements in the manner of instruction. Some of what Dr. Henry W. Holmes calls "the external formalities and mechanisms of education" have been abandoned. The progressive schools have made enormous strides in school architecture and have paid great attention to good light and fresh air for the students. In progressive schools seats are no longer fastened to the floor in rows, physical restraints are reduced to a minimum, and discipline by imposition of the teacher's will is regarded as unsound practice. Emphasis is laid "on social and creative activities intended to provide natural growth for the child." In many such schools no regular examinations are administered and "cramming" is discouraged; indeed, the only marks given are based on industry and reliability, not on accomplishment.

Herbert Spencer once wrote very wisely: "As long as the acquisition of knowledge is rendered habitually repugnant, so long will there be a prevailing tendency to discontinue it when free from the coercion of parents and masters." The progressive teacher, remembering this dictum, is not disturbed because the process of education seems to his students like play; indeed, he frequently resorts to games as indispensable to his program. To such a teacher the accumulation of facts is far less important than the development of habits, appreciations and abilities and the inculca-

tion in the hearts of his students that truth, beauty and wisdom are ever worth pursuing, at 80 as well as at 18. He is persuaded that boys and girls should learn, not "be taught," and that learning should be active rather than passive. Accordingly, he cares nothing for uniformity, but stresses originality and tries to turn his pupils into self-sufficient leaders, not into mere echoes of himself. In most progressive schools the educational pill is sweetened.

Progressive schools disclaim vehemently any utilitarian purpose. They do, however, as Dr. John R. Clark of the Lincoln School states, believe that all education should be thought of in terms of our Western culture and should be kept in close touch with life. Such institutions as the Beaver School have accomplished wonders in arousing in their pupils not only an appreciation of the fine arts, such as painting, architecture, sculpture and music, but have also evoked latent creative power.

What progressive education has done is to unchain teaching from certain fetters imposed upon it by inheritance from the past. Edward Yeoman's book, *Shackled Youth* (1928), a plea for a saner theory and practice in education, expressed in clear-cut phrases the ideals of the progressives. They have tried to secure freedom by casting aside edicts and penalties and substituting a new theory. They want the initiative in education to come, not from a teacher on a stage behind a desk, but from the boys and girls themselves.

The more enlightened of the progressive leaders insist that in education "the spirit is more important than the form." They declare that the progressive movement has accomplished most in slowly transforming our public schools, in which many of its basic ideas have already been accepted as axiomatic. Beyond a doubt the radicalism which once seemed so ominous is no longer terrifying. Its history has been like that of the once dreaded

Populists of the 1890s, whose platform has now been accepted in many of its details by each of the more conservative parties. The progressive movement would have been salutary if it had done nothing more than compel teachers to cogitate sound reasons for the faith that was in them. But it has done more than this. It has, by recognizing the difference in the aptitudes and abilities of students, by substituting interest for compulsion as a motive force in education, and by freeing schools from the worship of the past, done much that is constructive.

In actual operation, if we may trust the observation of pupils and their parents, progressive schools have shown weaknesses which cannot be ignored. One intelligent father, who has had children in a number of progressive and experimental schools, writes: "To me, many of these progressive schools give entirely too much freedom without any guidance and without establishing in the child a sense of responsibility for his own behavior, and without developing in him the determination to do his best work and to hold himself to a high standard of performance of duties." Still another critic feels that the aim in many of the progressive schools is chiefly to amuse the pupils and that the yielding to their transitory moods allows them to form bad habits. Several parents with whom I have talked have said that their children found it easy to "loaf" in a progressive school, and I have extracted a similar confession from youthful friends of mine.

My own conclusion, arrived at after a careful examination of the testimony, is that a progressive school is always in some danger of succumbing to sentimentalism and coddling its pupils, often without being fully aware of what it is doing. Left to their own inclinations they often choose the easiest path and thus do not have to develop a fighting spirit. Life itself is full of rather disagreeable daily du-

ties, for the struggle with which it should be the school's business to get its students ready. One of the perils of the progressive movement is that of dilettantism, the desultory pursuit of knowledge. I have noticed in progressive schools a tendency among the children to dally with one form of self-expression and then with another, without finishing what they start. They begin in the morning to model in clay and then, in a moment of boredom, turn to water-colors.

I have a feeling that everybody, no matter how young or how old, is the better in character for being obliged once in a while to carry through a task which he or she does not like, may even loathe. The old type of school with all its ruthlessness often compelled its students to grit their teeth, set their jaws, and put their brains resolutely to work. Although this was painful at the time for the victims it prepared them for similar situations in their later careers at college or in the world of affairs. The progressive schools which have been operating longest have decided that discipline must under some circumstances be enforced and that the hour arrives when certain specific subject-matter must be learned, whether the children enjoy it or not. In one of the best progressive schools in the United States I found the pupils in a tenth-grade English class diagramming sentences on the blackboard in the good old-fashioned way. This was obviously not a project selected by the members. They had to do it and the instructor's will was driving them on. This proves nothing except that, even in progressive schools, common sense has not been abandoned.

A second justifiable criticism is that progressive education results only too often in what might be called miscellaneous and uncoordinated knowledge. If the curriculum is unorganized, if the student can see no plan of action, he may become confused. Former pupils of progressive schools have explained to me rather apologetically

that they were so much entertained that they did not attempt to correlate what they had learned. Not having acquired the ability to pursue a given task at stated hours over a definite period of time, such boys are sometimes at a disadvantage when confronted with the responsibilities imposed by college. Ultimately, because of innate strength of character or inherited persistence, they usually adjust themselves to college methods and hold their own with graduates of other schools; but I have heard them complain bitterly that they were not properly fortified for confronting conditions under which they had to toil steadily to reach a set goal. One virtue of the old type of school was that it insisted constantly on accuracy, precision, persistence and thoroughness. I am not sure that all progressive schools do this.

The success of any progressive school, like that of any so-called traditional school, depends on the personality of those who teach in it. Beatrice Ensor, a director of the New Education Fellowship, has recently written: "The spirit of the new education is impalpable, though unmistakable. It may be absent from an ostensibly progressive school; it may be found in schools that are hide-bound as to curriculum and lacking in all modern apparatus. The spirit of new education, like that of world-mindedness, is in-dwelling in the mind of the teacher. It is a personal ideal, and is dependent upon a personal contagion if it is to be furthered." But teachers may be very different in their methods. Some good teachers will be very strict; others will be lenient. Some will be impulsive, casual and irregular; others will be cool, orderly and systematic. Yet each may, in his individual manner, be a stimulus and an inspiration. "The great thing about a teacher of youth," Edward Yeomans has said, "is not at all how much he knows of the science of education, the laws of learning, the administration of

a school, or of the particular subject which he teaches. The important thing is his personal radiative power as an illuminant along the highways which his pupils have to travel." My own conviction is that in the long run progressive schools will succeed or fail because of the kind of teachers whom they can attract to their classrooms.

The trouble is that, after years of research and experimentation, education still remains a somewhat mysterious process. The new psychology has been helpful, but it has not explained why a teacher's casual unmotivated remark may linger forever in a lad's memory and mean more to him than months of intensive drill, or why he may learn more by accident than he has learned through a day of organized classroom study. The best that parents can do at present is to seek out teachers, wherever they are, in whatever type of school, who burn with that divine spark by which their pupils are lighted and set aglow.

It is certain that, with pre-adolescent boys and girls, progressive education has justified itself. It has made them aware that school may be more of a pleasure than a punishment. It has eliminated the monotonous recital of case-endings and of mathematical tables. It has banished the hard, uncomfortable benches on which pupils used to sit bolt upright, under penalty of a reprimand. It has made them regard the widening of knowledge as a process to which they may look forward for a lifetime and has permitted them to appreciate the importance of beauty in nature and in art. To the influence of progressive educators our grammar schools have been succumbing gladly, and the country is everywhere the better for it.

As to its beneficial effect on boys and girls beyond the age of 14, conservative educators are rather skeptical, but they are glad that its principles are being given such a thorough trial in such competent hands. It is, of course, easy for a school which is

frankly experimental to devote itself to testing hitherto untried theories. If parents are willing to submit their children to the process, as is the case at the Hessian Hills School, they have no reason to complain about the results. On the other hand, a school which has been functioning to the general satisfaction of its patrons for a hundred years or more cannot afford to let itself be blown about by each new gust of pedagogical doctrine. When a school has the testimony of its graduates that it has done well by them, it ought to hesitate before adopting revolutionary methods. It should be added that even the most conservative school will usually modify its policies if it can be demonstrated that there is anything to be gained by doing so. So far, the conservatives maintain, the advanced progressives have not fully proved their case so far as high schools are concerned. Some of the best of the progressive schools have been obliged to abandon accepting boys beyond the adolescent age and to devote themselves entirely to girls. Others have discovered that, in order to enable their graduates to enter reputable colleges, they must fall back temporarily on a plan of hard regular drill and practice in taking examinations. And nearly all of them have retained external discipline in some form as a means of keeping order.

As represented by their ablest leaders, men like Dr. Eugene R. Smith, Dr. Jesse H. Newlon and Dr. John R. Clark, the progressives are able to meet with the so-called conservatives on common ground. Some of the "traditional" schools, like Andover and Exeter, allow their instructors a reasonable degree of freedom, and they may adopt progressive policies if only they yield results. In the last analysis, the actual information which a boy gets at any school is of small impor-

tance. The chief point is that he should leave with good habits of work, with a passion for weighing evidence and with an insatiable intellectual curiosity. No system has yet been developed which all teachers can follow with success; nor do I believe that any such system ever will be evolved. Dr. Hughes Mearns, one of the earliest and most influential of progressive leaders, ended his *Creative Youth* with the words, "We must never forget the stubborn fact that confronts us in all our enthusiastic discussion of things educational—the kind of school will always depend upon the kind of teacher in the classroom."

What conclusion are we to reach? Little but good can come from the research and experimentation being conducted at such centres as the Lincoln School, where trained educators are testing and reporting on new ideas. The ideal school of the future will probably be one which will adopt sensible middle ground between the progressives and the traditionalists. One critic says: "If a school could only arrive at some satisfactory recognition of the demands of child initiative, child freedom and personality development on the one hand, and also fit into that desirable setting a proper respect for system and thoroughness, self-control and responsibility for work to be accomplished, the result would be a better school than those which have developed at either extreme."

As a step toward this ideal, it is worth noting that several of the most reputable traditional schools are not unreceptive to progressive doctrines and are ready to profit by them. These fortunate institutions should be thankful that there are other schools, less tied to the past, which can separate what is valuable from what is merely decorative and pronounce a verdict by which the conservatives may profit.

Current History in Cartoons



The great wall of America
—Chicago Tribune



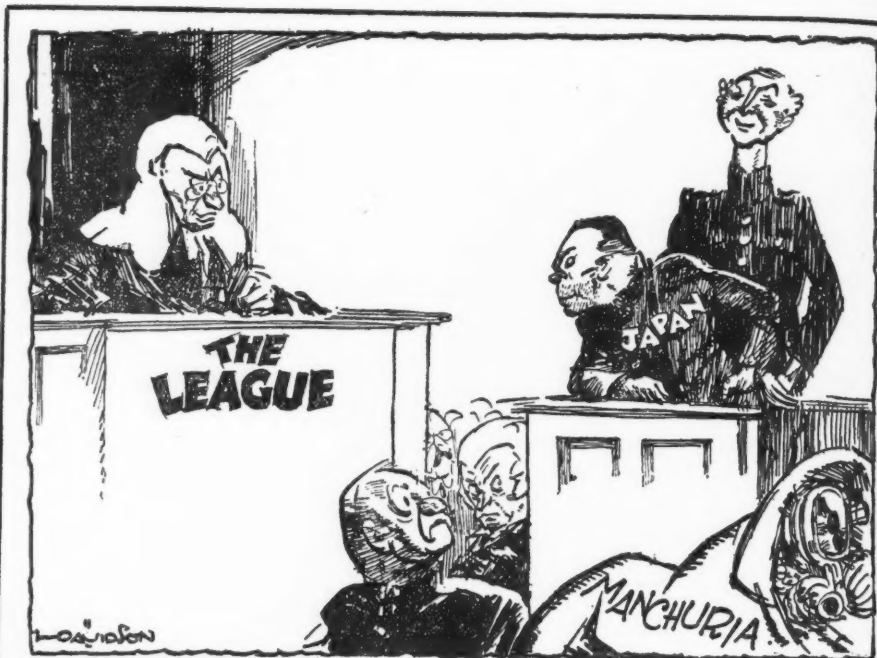
"Anybody want to bid?"
—St. Louis Post-Dispatch



"And, boy, you'll need 'em!"
—New York Evening Post



The hardest part is yet to come
—Philadelphia Inquirer



Accused—"And let me tell you, me Lud, I won't accept your verdict if it means giving up the swag"

—Glasgow Evening Times

Late Pupil—"I don't want any advice from you, see! I've learned all you can teach me"

The Tutor—"Not everything, my child, not everything"

—Daily Herald London



Hitler builds his Paradise on earth
—*De Notenkraker, Amsterdam*



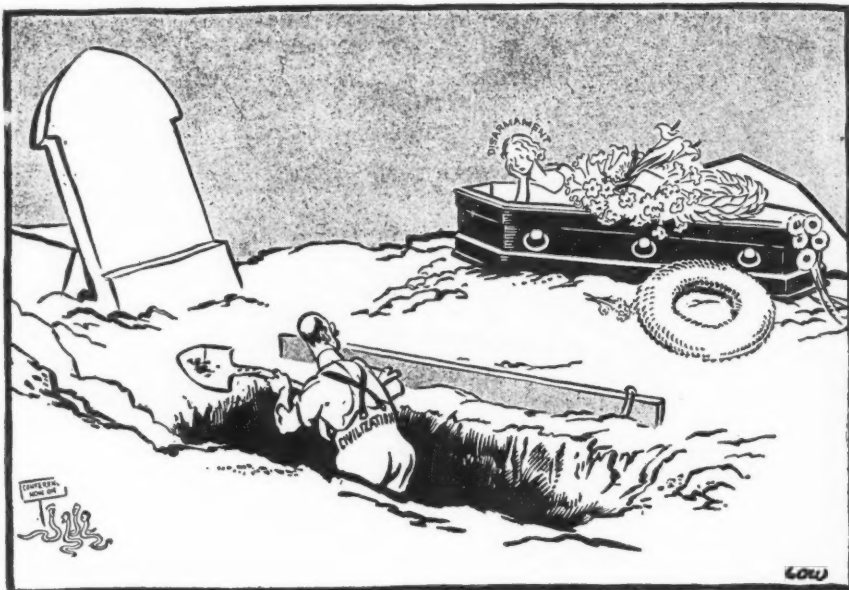
"The crisis must be less acute. This is the longest cigar end I have found for months"

—*Der Wahre Jakob, Berlin*

"Really, gentlemen, I'm beginning to feel a little uneasy. We must do something to help the poor woman. Where is our next conference to be held?"

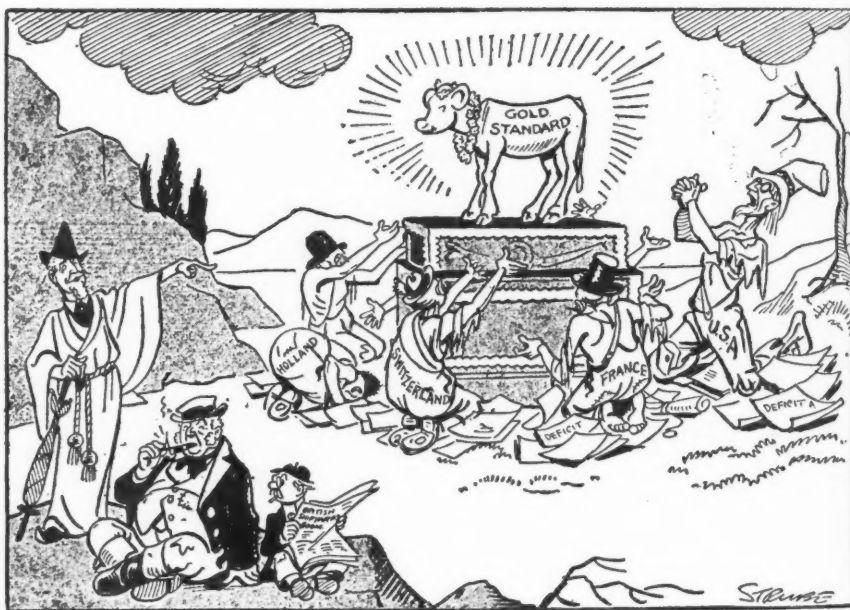
—*Glasgow Bulletin*





"Better make it wide enough to hold yourself, too, big boy"

—*Evening Standard*, London



High Priest Norman—"Come, brethren, for over sixteen months ye have strayed from the fold. Repent ye or verily catastrophe will overwhelm ye!"

John Bull—"Well, nothing's happened so far"

—*Daily Express*, London

A Month's World History

The War-Debt Negotiations

By JAMES THAYER GEROULD
Princeton University; Current History Associate

THE tension between Washington and London over the war debts, and in somewhat lesser degree that between Washington and Paris, diminished considerably during February. On both sides of the Atlantic more moderate counsels have prevailed, for it was realized that a policy of bluster or of categorical negatives was not likely to be fruitful. In the words of the publicist who writes under the name "Augur" in the British press, "common sense obliges Britain to admit that the United States of America, if it sees that it is impossible to obtain the continuation of the debt payments, is entitled to seek compensation for itself in other directions."

American popular opinion is slowly coming to realize that however well founded the debts may be legally, they are on a different basis politically. If the European nations decline to pay, there is nothing, as a matter of fact, that can be done about it. The collection of debts at the cannon's mouth is a process that has, by general consent, been relegated to the limbo of things that "simply are not done." While the theory of foreign exchange is understood only by the experts, many people are beginning to understand that settlements between nations must, in the long run, be made in goods or services, and not in gold. If all the gold in the world now outside the United States should be shipped to us it would pay less than half the foreign debt, and if we had it

all, the metal would be worth hardly more than an equal weight of lead. Unless we can induce the foreign nations to part with all their American investments, we must choose between taking the foreigner's goods and getting nothing. The painful realization that either our high tariffs or our position as a creditor country will have to be abandoned must eventually be faced.

Before this article reaches its readers, the formal debt negotiations between the United States and Great Britain will probably be well under way. Sir Ronald Lindsay, the British Ambassador to the United States, on his recent visit to London, took with him reports which doubtless contained a fairly accurate statement, not only of American public opinion, but of the position of the Roosevelt administration upon the method for reaching an agreement. He arrived in London on Feb. 6, and during the next week was in constant contact with the Cabinet in its preparation of the British program. Public utterances regarding its content were naturally guarded, but, in reply to questions in the House of Commons on Feb. 13, Prime Minister MacDonald made it clear that the Cabinet would not follow the lead of Neville Chamberlain, the Chancellor of the Exchequer, who, a few days earlier, expressed the opinion that bargaining over the settlement was impossible. "The object of the discussion," Mr. MacDonald said, "will be to promote

a renewal of world trade and prosperity. While the settlement of the war debts is an essential condition to such a revival, we have always recognized that there are a number of other factors, economic as well as financial, which also will have to be dealt with, and we shall be glad to exchange views with the United States Government on the whole field."

On the same day, in one of the ablest speeches of his career, Mr. Hoover, in discussing the measures necessary for economic recovery, gave emphatic expression to the results of his experience. "We cannot isolate ourselves," he said. "During the past two years the crash of one foreign nation after another under direct and indirect war inheritances has dominated the whole economic life of our country. The time has now come when nations must accept, in self-interest no less than in altruism, the obligations to cooperate in achieving world stability so mankind may again resume the march of progress. Daily it becomes more certain that the next great possible constructive step in remedy of the illimitable human suffering from this depression lies in the international field. It is in that field where the tide of prices can be most surely and quickly turned and the tragic despair of unemployment, agriculture and business transformed to hope and confidence."

While Mr. Hoover still believes that the importance of war debts is being "hugely exaggerated," he nevertheless expressed the opinion that some part of the payments "might be set aside for temporary use" in stabilizing foreign exchange.

Immediately on his return to the United States on Feb. 20, Sir Ronald Lindsay, accompanied by T. K. Bewley, the newly appointed financial adviser at the British Embassy, conferred with President-elect Roosevelt in New York, and later with Secretary Stimson in Washington. Although no announcement of the prospective program has been made, it was gen-

erally understood that a discussion of war debts, currency stabilization and tariff barriers would proceed together.

Preliminary arrangements for a similar discussion with representatives of the other debtor governments are well under way. Late in February Ambassador Claudel called on Mr. Roosevelt, and a formal announcement was made of the renewal of the negotiations which were broken off on Dec. 14, when the French Chamber of Deputies voted that the payment due the day following should be "deferred" until the United States agreed to enter a conference for the reconsideration of the debt settlements. Technically France has been in default since Dec. 15, but the bond market has shown no evidence that this has injured French credit. It is possible that the Chamber may consider that the projected conversations come within the meaning of their resolution, and may authorize the deferred payment. Such action would place France on the same footing with Great Britain during the negotiations. It is equally probable, however, that the United States may consider it inexpedient to raise the question of the payment except as one of the issues which must be determined.

However punctilious President Roosevelt may be in maintaining his declared policy of dealing with the debtors separately, he cannot escape from the fact that they have a common interest, and will act in consultation. While final agreements upon the stabilization of currency and similar important issues must be deferred until the World Conference, preliminary understandings such as these will serve a very useful purpose.

THE ECONOMIC CONFERENCE

At the suggestion of the Preparatory Commission of the World Monetary and Economic Conference, a special committee of the International Chamber of Commerce has prepared suggestions for its agenda, which

have been submitted to all the forty-five constituent national organizations. In substance they do not differ materially from the document reported by the Preparatory Commission (See CURRENT HISTORY for March, page 717).

The committee has declared that a fundamental factor in the restoration of confidence which will permit the adoption of measures to restore the economic equilibrium destroyed by the war is a final settlement of the problem of intergovernmental debts. When that is disposed of, it will be possible to deal with the private debts so that there may be neither unjustifiable default nor undue hardship to borrowers. The normal method of adjustment of price levels should, in the committee's belief, be supplemented and controlled by governmental regulation of production. But on the other hand, governmental interference with trade through unduly high tariffs, through prohibition of import quotas, subsidies and foreign exchange control, should be abandoned. Tariff wars should cease, and the schedules maintained should be simple, stable and uniform in application. Discrimination should be avoided and most-favored-nation clauses maintained. Customs unions, which will enlarge the area within which there is relatively complete freedom of trade, are very desirable, but such unions should be free from aggression against neighboring countries or areas, and should welcome the adherence of additional nations to the groups. As rapidly as possible, the gold standard should be restored. This can be done only after the measures already recommended are in effect—when budgets are balanced and currency is stabilized. The Bank for International Settlements should be enlarged, and measures should be taken to secure a better distribution of the world's stock of gold.

Of particular interest to the United States is the paragraph in which "it is urged that creditor countries should modify their economic policy by rec-

ognizing that an adequate trade balance, resulting from the movement of goods and services, is an essential feature of their creditor position."

THE DISARMAMENT CONFERENCE

Fighting in the Far East and in South America, the political turmoil in Germany, the recent attempt to smuggle arms into Hungary and the reluctance of the Hoover administration to commit the new Democratic régime have contributed to make fruitless recent disarmament discussions at Geneva. The General Commission resumed its deliberations on Feb. 2, the first anniversary of the opening of the conference. According to agreement, the French plan furnished the basis of the opening discussions. The debate centred on the difficulty of concluding satisfactory agreements within the Continental area, so long as Russia and the United States are associated only with the Pact of Paris, while all the other nations adhere also to the covenant of the League. An extension of the pact by a consultative agreement and the renunciation of neutral rights by the non-member nations are considered to be essential. No agreements of importance are likely to be reached until it is known definitely whether the United States will refuse to allow the sale of munitions and other war supplies to violators of the pact.

The French program, which by no means has unanimous support at home, was criticized by the Polish delegate on the ground that it is too complicated, and that the attitude of Great Britain, Italy and Germany has made it an impossible basis for a general treaty. Germany objects on the ground that the plan makes no provision for procedure in the settlement of conflicts of interest which fall without the domain of international law, the Polish Corridor, for example. There should be, Germany contends, what would amount to a court of

equity, before which could be brought questions involving the revision of treaties. Article XIX of the covenant, which provides merely that "the Assembly may, from time to time, advise the reconsideration of treaties which have become inapplicable," is insufficient. No action can be taken under it which will in any way be binding. The reaffirmation of the covenant, proposed in the French plan, will do no more than to solidify further the European status established by the peace treaties.

Maxim Litvinov, the Soviet delegate, on Feb. 2 suggested a definition of an "aggressor" which was generally regarded as constructive and helpful. It was to the effect that a nation should be considered an aggressor which first declares war, invades by armed force another State without declaring war, bombards another's territory by land, air or sea, introduces land, sea or air forces within another State's frontiers without its permission, or disregards the conditions of such permission when granted, or establishes a naval blockade. He then went on to specify situations which should not be held to justify armed intervention—the existence of "special interests," a desire to exploit the resources of another State, the protection of capital investments, the existence of political disorganization, the repudiation of debts, immigration restrictions and others of a similar nature. M. Litvinov further said that the Soviet Government was ready to join in a consultative pact and in the application of economic sanctions.

The British proposal for a study of the complete abolition of war aviation and air bombing, together with the international control of civil aviation, was authorized on Feb. 16. France desires that such action, if taken, should be accompanied by the establishment

of an air force under League control. The United States, Canada and Germany insist on the freedom of civil aviation from control. M. Cot, the brilliant young French delegate, outlined, on Feb. 22, the French plan for internationalization of civil aviation. The major routes would be managed by an international company, organized by the League, while the lesser lines would be controlled by subsidiary companies under the general supervision of the Permanent Disarmament Commission.

A curious situation has developed in regard to the French proposal for the standardization of Continental armies on a militia basis. The Germans have long argued that professional armies are both costly and ineffective, a position reaffirmed as recently as July 23, 1932. They seem now to have reversed their stand, for reasons that are not altogether clear. The militia principle, however, was affirmed on Feb. 23, Germany alone voting in opposition. Italy made important reservations regarding war material and the organization of over-sea effectiveness.

Of great potential importance was the vote in the drafting committee on Feb. 28 accepting the British proposal to substitute the word "force" for the word "war" in a declaration following the lines of the Pact of Paris. The European nations, the statement reads, "hereby solemnly reaffirm that they will not, in any event, resort as between themselves to force as an instrument of national policy." It is generally understood that, in its present phrasing, the use of force is permitted outside Europe, though a number of European delegates, led by M. Litvinov, argued that the application should be universal. If the question comes up again before the conference as a whole, the restriction may be eliminated.

Roosevelt Takes Control

By E. FRANCIS BROWN

AMID the pomp and circumstance permitted even under a democratic republic, Franklin Delano Roosevelt on March 4 was inaugurated as the thirty-second President of the United States. Massed before the Capitol as he took the oath of office and delivered his inaugural address were more than 100,000 people, while 500,000 more watched the great inaugural parade which followed the ceremonies at the Capitol. As at few times in American history, the eyes of the nation were upon the new President; in him they had placed their trust; on him had fallen the mission to "ransom captive Israel." No President, unless it was Abraham Lincoln, ever took office in a more far-reaching crisis than did Franklin D. Roosevelt; yet it is difficult to recall any who have entered upon such great responsibility with more calm, with more self-assurance and courage.

The words of the inaugural address, delivered immediately after Chief Justice Hughes had administered the oath, carried a message of hope, a promise of vigorous action, a further pledge of the "new deal." To a country bowed down with economic troubles, President Roosevelt, in a manner uncommonly grave for him, declared boldly: "This great nation will endure as it has endured, will revive and will prosper. * * * Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still much to be thankful for. Nature still offers her bounty and human efforts have multiplied it. Plenty is at our doorstep, but a generous use of it languishes in the very sight of the supply."

For much of the present plight of

America the President blamed "the rulers of the exchange of mankind's goods." He assailed the "unscrupulous money changers," who "stand indicted in the court of public opinion, rejected by the hearts and minds of men." He appealed for "recognition of the falsity of material wealth as the standard of success" and for "an end to a conduct in banking and in business which too often has given to a sacred trust the likeness of callous and selfish wrongdoing."

Turning to the problems of the immediate present, President Roosevelt in crisp sentences called for action to end unemployment, to redistribute population, to aid the farmer, to reduce governmental costs. "We must act," he said, "and act quickly." But he hastened to add that certain safeguards against old evils must be established: "There must be a strict supervision of all banking and credits and investments; there must be an end to speculation with other people's money, and there must be provision for an adequate but sound currency."

Domestic problems received greatest emphasis in the address, though cooperation in international economic readjustment was promised as well as adherence to international obligations and respect for the sanctity of agreements. But meanwhile affairs at home demand attention. To meet them the President announced that he would recommend the necessary measures to Congress, "but in the event that the Congress shall fail to take" action the new leader would ask for "broad executive power to wage a war against the emergency, as great as the power that would be given to me if we were in fact invaded by a foreign foe."

In the concluding passages of his

address President Roosevelt sounded a note of defiance to the forces of gloom and despair which were hanging over the nation: "We face the arduous days that lie before us in the warm courage of national unity; with the clear consciousness of seeking old and precious moral values; with the clean satisfaction that comes from the stern performance of duty by old and young alike. We aim at the assurance of a rounded and permanent national life. We do not distrust the future of essential democracy."

As President Roosevelt spoke, his predecessor in office sat close by, listening to a speech which at certain points indicted his policies. What his thoughts were, no one can tell. But Mr. Hoover, tired from his four years on Calvary, disappointed, worried, presented a marked contrast to the exuberant new President who at Miami on Feb. 15 had miraculously escaped the bullets of an assassin. In 1929 Mr. Hoover had been speaking from the same spot to a nation still outwardly prosperous; now, repudiated and rejected, he was turning over the reins of office when panic, sorrow and starvation stalked through the land. Immediately after the inaugural ceremony he left Washington, where he had served the nation for twelve years. He left behind him a new administration which, in the midst of merrymaking and celebration, had already assumed a yoke which will not be easy and a burden far from light.

The acuteness of the domestic crisis served to increase the non-partisan atmosphere which for a brief period always surrounds a new administration. Conservatives and liberals among both Republicans and Democrats, whether in Congress or not, promised to support President Roosevelt in his war against the depression. His inaugural address received enthusiastic praise from most quarters of the nation; the voices of dissent were drowned in the chorus of approval. The new Cabinet—in American po-

litical life ever a cause for criticism—was generally rated above those of recent administrations. And the personality of the President himself seemed a guarantee that the "new deal" would become fact. Yet "political honeymoons" are usually brief, and one would be foolhardy not to expect some disillusionment and discord in the Roosevelt years.

Since his election in November the new President had increased mightily in popularity and prestige. Much of this was due to the tranquillity and coolness with which he went about preparing to assume office. But the events at Miami on Feb. 15 brought forcibly to the nation the importance of the life of the Chief Executive; the shots which Giuseppe Zangara fired that night insured more generous support for President Roosevelt in his first months of responsibility. While the President escaped, five other people who had listened to Mr. Roosevelt's Miami speech were wounded, among them Mayor Anton Cermak of Chicago, who after lingering for nearly three weeks, died on March 6.

THE NEW CABINET

During the weeks preceding the inauguration President Roosevelt devoted many hours to the formulation of policies, to the shaping of work in Congress, to foreign affairs and to the selection of the personnel of his administration. From the moment of the election the country had guessed about the membership of the new Cabinet; in many instances these guesses were correct, as the final selection of the ten Secretaries showed. On March 4 the new heads of departments were sworn in as follows:

Secretary of State—Senator CORDELL HULL of Tennessee.

Secretary of the Treasury—WILLIAM H. WOODIN of Pennsylvania and New York.

Secretary of War—Former Governor GEORGE H. DERN of Utah.

Attorney General—HOMER S. CUMMINGS of Connecticut.

Secretary of the Navy—Senator CLAUDE A. SWANSON of Virginia.

Postmaster General—JAMES A. FARLEY of New York.

Secretary of the Interior—HAROLD ICKES of Illinois.

Secretary of Agriculture—HENRY A. WALLACE of Iowa.

Secretary of Commerce—DANIEL C. ROPER of South Carolina.

Secretary of Labor—FRANCES PERKINS of New York.

For those people who had expected or hoped for a Cabinet of all the talents, the slate proved disappointing, while the fact that three of the members—Woodin, Ickes and Wallace—were former Republicans modified the approval of some Democrats. Yet, as the press hastened to make clear, Cabinet making is not as easy as the layman frequently believes; political debts must be paid off, sections and interests have to be satisfied, while the President must gather about him a group with which he can work in sympathy. In the end the country may discover that the Roosevelt Cabinet has great strength just because it is not composed of personalities whose acts have long been public property and whose individual abilities and prejudices would hinder administrative cooperation.

The naming of the new Secretary of State evoked favorable comment from all sides. Senator Hull has had a long legislative career and is recognized as an authority upon tariffs, while in spite of his lack of actual experience in diplomacy he has for many years been a student of international relations.

Mr. Woodin, who was offered the post at the Treasury after it had been declined by Senator Carter Glass, was little known to the country. His appointment was reassuring to business interests because, as president of the American Car and Foundry Company, he brings a conservative point of view to the Treasury and can be expected to support sound financial policies.

Though Homer Cummings, a prominent lawyer and Democratic leader in Connecticut, holds the post of Attorney General in the new Cabinet, his appointment was recognized as a stopgap which became necessary as a result of the sudden death of Senator Thomas J. Walsh of Montana on March 2. Senator Walsh, who was a leader in exposing the scandals of the Harding régime and was an outstanding authority upon Constitutional law, had been expected to play a large part in the Roosevelt administration. His death on the eve of the inauguration was a blow to the hopes of many liberals in particular, who had been anticipating a vigorous leadership of the Department of Justice.

Former Governor Dern, who will preside over the War Department, has been a friend of President Roosevelt and had been included in many of the early Cabinet slates. His colleague at the Navy Department, Senator Swanson, has sat in the Senate since 1910. Long identified with naval affairs, he has been a prominent figure in the Democratic party and attended the Geneva disarmament conference in 1932.

James A. Farley's selection for Postmaster General followed the tradition of assigning that post to the chairman of the party's national committee. Besides directing the Post-office Department, he will have charge of the disposal of patronage, a power which makes him highly important in the eyes of party members.

Harold Ickes, a lawyer and Progressive Republican, comes to the Interior Department apparently as a reward to Senator Johnson for his support and that of other Progressives to the Roosevelt candidacy.

Henry A. Wallace, the new Secretary of Agriculture, is the publisher of the journal, *Wallace's Farmer*, and has devoted most of his life to agricultural problems. He was among the original promoters of the domestic allotment plan and has advocated currency inflation. His father was Secre-

tary of Agriculture in the Harding administration.

The new Secretary of Commerce, Daniel C. Roper, is an old McAdoo man. In the Wilson administration he was First Assistant Postmaster General and later Commissioner of Internal Revenue.

The appointment of Frances Perkins to the Secretaryship of Labor brought the first woman to an American President's Cabinet. Though her selection may have been a bid for the support of women's votes, it recognized her capable work as head of New York State's Labor Department and brought to the Cabinet a personality with a liberal social outlook.

On Feb. 23 President Roosevelt announced that he had selected Lewis W. Douglas of Arizona to be Director of the Budget. Mr. Douglas as a member of the House of Representatives has become known as a fearless opponent of government extravagance. For some time he has been studying methods of reducing the cost of government and can be expected to play an extremely important rôle in the new administration's campaign for efficiency and economy in governmental operation. His selection brought forth hearty approval from financial and business groups throughout the nation.

THE TASK BEFORE ROOSEVELT

No administration in recent times has faced so stupendous a task as does that of President Roosevelt, nor from any one man has more been expected. Foreign affairs are critical, calling for wise heads to devise solutions which will stave off catastrophe. Domestic difficulties are no less serious and to most citizens of America are far more pressing than the question of Far Eastern policy or the settlement of the debts problem. The President has promised a new deal; the country is waiting. Can reform of the banking system be expected? Will the farm situation be corrected? Will the abuses of business practice be

eradicated? Above all, will men and women regain the comparative security of economic status which they have lost in the last three years and a half? These are the major problems before the administration, though there are many others—rehabilitation of the railroads, governmental economy, public utility regulation, tariff readjustments and so on.

For the most part the new President kept his policies secret until after his inauguration. The personnel of his Cabinet seemed to guarantee sound financial policies and economy in government. The naming of Senator Hull as Secretary of State pointed to negotiations for reciprocal tariff agreements, while even before the inauguration steps were being taken for the settlement of intergovernmental debts. The President has given his support to the domestic allotment plan for farm relief; he is known to favor prohibition repeal; he has promised to do something for the railroads and has stated his opposition to the uncontrolled activity of public utility companies. On Feb. 2 he proposed the development of the entire Tennessee River watershed into a gigantic unit which would link water power, flood control, reforestation, agriculture and industry. Such a project would, the President hoped, point a way to end unemployment and decentralize industry, as well as setting a precedent for a planned economy. Meanwhile, the Governors of the States had been called to Washington for a conference with the President on March 6 at which the problems concerning both the nation and the States were to be discussed.

THE WORK OF CONGRESS

A vast amount of the work of the early months of the administration must of necessity be directed to the completion of the proposals and legislation left unfinished by the Seventy-second Congress. As had been predicted from the day that body met for its final session, only a small

amount of important legislation was enacted.

When Congress convened last December, a four-point program was declared to be its aim: (1) Opposition to immediate change in the foreign debt structure, (2) the balancing of the Federal budget, (3) enactment of beer legislation and (4) farm relief. Although the action of foreign debtors in December may have upset the calculations of Congress, the debt problem was held over for settlement by the Roosevelt administration.

Midway in the session all attempts to balance the budget were laid aside. The Federal tax of 1 cent a gallon on gasoline was continued, but no other revenue measures were enacted. The hope for reduced appropriations was not realized to any extent in the supply bills passed by Congress. Proposed pay cuts for government employes and reduced appropriations for special commissions brought forth immediate protests from those directly concerned. Nor were attempts to decrease the size of mail subsidies to shipping and airlines any more successful. Because of prolonged debate, by Feb. 18 only the appropriation bill for the Interior Department had passed Congress, though the House had completed its work upon all bills except that for the Navy Department and even that bill was out of the way by Feb. 23. But during the closing days of the session the supply bills were hastily enacted. The independent offices appropriations bill, carrying nearly \$1,000,000,000 for veterans' affairs was pocket vetoed. The District of Columbia supply bill failed to pass the House.

The most controversial of the routine appropriations bills proved to be the Treasury-Postoffice measure, to which an amendment had been made in the Senate directing a 5 per cent reduction in all appropriations for the fiscal year. Of more importance was the amendment giving President Roosevelt authority to consolidate, transfer or eliminate any executive

agencies with the exception of the major departments, to hold up appropriations or to transfer funds from one department to another—all without control by Congress. Such a grant of extraordinary powers had been desired by President Hoover, but had been refused by a hostile Congress. With the 5 per cent salary slash deleted, the bill was finally passed by Congress on March 3.

The legalizing of the manufacture and sale of beer which had been hopefully demanded at the convening of Congress remained unfinished business at the end of the session. Though the House passed a bill for the purpose on Dec. 21, the Senate completely re-wrote this bill but did not bring it to a vote. Thus what had been regarded in many circles as a means for stimulating business and as a source for revenue fell by the wayside.

On the other hand, Congress took a surprising step in regard to prohibition by adopting the Blaine resolution for the repeal of the Eighteenth Amendment. The resolution had been pending in the Senate for some time, though few people expected it to be acted upon. On Feb. 13, however, Senator Blaine moved for consideration of his resolution, and after an eight-hour filibuster by dry Senators the resolution was adopted on Feb. 16 by a vote of 63 to 23; on Feb. 20 the House concurred by a vote of 289 to 121. The text of the resolution is as follows:

Resolved, By the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each house concurring therein), That the following article is hereby proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by conventions in three-fourths of the several states:

Section 1. The eighteenth article of amendment to the Constitution of the United States is hereby repealed.

Section 2. The transportation or importation into any State, Territory or

possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited.

Section 3. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by convention in the several States, as provided in the Constitution, within seven years from the date of the submission hereof to the States by the Congress.

As ratification of a constitutional amendment by State conventions rather than by Legislatures is unprecedented, there was some thought of securing a definition for proper procedure from Congress, but an opinion from Senator Thomas J. Walsh that the question was one for the States to decide removed the question from Congress. The fight between the wets and dries is thus transferred to the forty-eight States, where it can be assumed that ratification will be secured neither easily nor rapidly. The sudden action upon prohibition restored to Congress some of its lost prestige, giving new assurance that that body was not doomed to endless and indecisive debate.

Farm relief likewise was lost in the lame-duck session. The chief proposal was the domestic allotment plan, which would attempt to raise farm purchasing power through a system of bounties granted to growers of wheat, hogs, cotton and tobacco. (See pages 38-40 of Mr. Ronald's article in this issue.) A bill embodying these proposals was introduced in the House, but before passage on Jan. 12 was so altered as to destroy most of its original features. The House bill was completely rewritten in the Senate, where, though reported by the Agricultural Committee on Feb. 15, it never came to a vote. Since a Presidential veto awaited the bill if it should pass, the Senate's failure to act probably made little difference.

During the session of Congress, however, the situation in the farming areas became so alarming that other

measures for relief were proposed—especially bills to extend moratoria to farm mortgages and to refinance agricultural indebtedness at low rates of interest. None of these measures was acted upon, though a bill for setting up a government cotton pool in which participation would depend upon limitation of acreage received a pocket veto from President Hoover.

Out of the West, while Congress was debating, came accounts of mob action against mortgage foreclosures, of farmers marching in great demonstrations, of marketing strikes and occasional outbursts of violence. At the same time representatives of farm organizations were talking inflation, demanding reduction of taxes and seeking a halt to mortgage foreclosures. Organized protests of this sort brought some relief in several Middle Western States where proclamations from Governors or legislative action put an end temporarily to forced sales of farms for delinquent taxes or defaulted mortgages. (For the background of this situation, see the article "Farmers' Troubles—And a Remedy" on page 35 of this issue.)

The remaining legislative activities of Congress reflected the economic distress of the nation. Of outstanding importance was the attempt through the Glass bill to reform the banking system. Late in January this bill, after being before Congress for many months, was finally adopted in a somewhat emasculated form by the Senate. Action by the House was not forthcoming, despite the real warnings from all sections of the country that reform was necessary and urgent. As a result the Seventy-second Congress came to an end without final action upon the Glass bill.

Closely related to the financial structure of the nation was the bankruptcy reform bill which was passed by the House on Jan. 30. The bill, whose constitutionality was somewhat in doubt, aimed to facilitate settlements between creditors and debtors.

Opposition on the part of banks particularly caused the bill to be rewritten in the Senate, where it was finally passed on Feb. 27. Meanwhile, on Feb. 20, adoption had been urged in a special message from President Hoover. The bill, as finally passed and signed by him, on March 1, permits individuals, farmers and railroads to adjust their debts voluntarily without going through the procedure of formal bankruptcy or into receivership.

With the end of the session died temporarily various proposals to relieve debtors and restore economic activity through some form of inflation, notably the remonetization of silver. But more of that subject will be heard as the Roosevelt administration gets under way.

Though President Hoover and Republican members of the House were anxious to raise duties on goods imported from countries whose currency has depreciated, the Democratic majority prevented such action at the lame-duck session. The President and his Secretary of Commerce contended that serious harm was being inflicted upon American industry by the flooding of the American market with foreign goods—a fact denied by the Republican Chairman of the Tariff Commission. On Feb. 13 the House killed all chances for tariff legislation when, by a vote of 212 to 174, it defeated the Republican proposal to discharge the Ways and Means Committee from further consideration of the Crowther bill to increase tariffs.

In the recent session of Congress, as in those preceding it, a good deal of time was expended upon the problem of unemployment relief. Hearings before the Senate banking subcommittee exposed the incredibly serious plight of the unemployed, who in January were conservatively estimated at 12,000,000. One witness informed the Senators that 45,000,000 Americans were living "in poverty" and that 15,000,000 were wholly dependent on charity "without which they would perish." He went on to say: "Relief

so far has been totally inadequate. Children are suffering from malnutrition that will damage future generations. We have found workmen who have been idle for twelve to fourteen months who could not stand the work they had previously done because of undernourishment." When such testimony was reinforced by others in close touch with unemployment conditions, the Senate moved quickly.

Senator Wagner sponsored a bill to add \$300,000,000 to the Reconstruction Finance Corporation's fund for direct relief loans to States and to liberalize the existing law so that loans for public works need not be self-liquidating. Such a bill was passed by the Senate on Feb. 20, with the added provision of \$15,000,000 for loans to the States to assist in the rehabilitation of the itinerant unemployed. A week earlier the Senate had added \$20,000,000 to the annual appropriations bill for the War Department in order to make the Citizens Military Training Camps available for concentration and supervision of a portion of the "wandering boys" of America, though this provision was eliminated in the final passage of the bill. At the end of the session the House had not acted upon the Wagner bill.

THE BANKING CRISIS

Meanwhile, however, a major banking crisis had arisen. During the past few years thousands of banks throughout the country have failed, pointing to the need for a general overhauling of the banking structure. But the situation was permitted to drift until a series of difficulties in several widely separated urban centres of the nation culminated on Feb. 14 in an eight-day banking holiday in Michigan. Financiers may have been prepared for the sudden crisis which centred at Detroit, but the public was not, and the shock of the exposure of conditions in the great Michigan city sufficed to weaken confidence in banks every-

where. Ten days later difficulties in Baltimore caused the proclamation of a three-day banking holiday in Maryland.

Eventually the country will learn more of what took place during those days among the financiers and governmental officials. For the moment the true situation was only half revealed by the press, and little idea was given of the frantic attempts to prevent a wholesale banking panic. In many States, banks with State charters were operating under some form of moratorium, consisting in most cases of restrictions on the withdrawal of deposits. Perhaps that helped to explain the decline of bank closings at a moment when banks everywhere were being subjected to terrific strains. The seriousness of the situation was exposed by the rapid passage through Congress of the Couzens resolution, which endowed the Controller of the Currency for six months—to be extended another six months if necessary on the authority of the President—with emergency powers over all national banks. By this frozen and liquid assets of a bank might be segregated; depositors would be restricted to withdrawals against only the liquid assets, the percentage to depend upon the degree of the bank's liquidity. The resolution was introduced in the Senate on Feb. 20; five days later it had passed both houses of Congress and been signed by the President. Meanwhile State Legislatures rushed through bills and resolutions to prevent a banking débâcle.

By the eve of the inauguration a banking panic gripped the nation, and at the end of the day on March 4, every State in the Union had restricted banking operations or had invoked banking holidays. The crisis forced immediate action from the new administration which, after extended conferences between financiers and members of the government, ordered, late in the evening of March 5, a four-

day, nation-wide banking holiday subject to regulation by the Secretary of the Treasury. The proclamation prohibited the withdrawal of gold and silver for domestic use or export during the holiday. It also authorized the issuance of Clearing House certificates or scrip for the carrying on of business. Earlier in the day, an extraordinary session of the Seventy-third Congress had been called for March 9, when emergency legislation, proposed by the new administration, was to be brought forward.

CONGRESSIONAL INQUIRIES

While the legislative record of Congress during its recent session may not have been impressive, its various hearings, especially the formal investigations conducted by the Senate, served to expose conditions and trends a knowledge of which would seem to be indispensable in a democracy. An investigation of the stock market by the Senate Banking and Currency Committee has been in progress for some time, but in February it achieved new prominence by its examination of the Insull utility empire and the operations during the stock market boom of the National City Bank of New York. The collapse of the Insull structure had prepared the public for any revelations that might result from the testimony in regard to its unsavory history, though it may have come as a surprise to learn from Charles G. Dawes that his bank in Chicago had violated the spirit of the law by its excessively large loans to the Insull companies. The great shock, however, came from the investigation of the affairs of the National City Bank, which was shown to have carried on extremely unwise and unethical practices during the halcyon days before the market crash. These revelations brought about the resignation of Charles E. Mitchell, the bank's president, and H. B. Baker, another of its executives, and helped further to undermine confidence in

the nation's banks and bankers at a time when the need for confidence was paramount.

Early in February the Senate Finance Committee began hearings to discover methods to end the depression. In the mass of evidence gathered by Senators during the next few weeks all kinds of remedies were suggested, among them settlement of the war debts, recognition of Soviet Russia, dictatorship, the balancing of the budget, the lowering of tariffs, sound money, reform of the banking system and a gold embargo. Two things seemed to stand out above everything else as these financiers, industrialists, statesmen and economists passed before the Senate committee. The first was a unanimity of belief in the need for a general rebuilding of the economic structure; the second was the general inability of these same men to suggest how the remedies which they proposed could be translated into fact. For instance, despite reiterated demands for a balanced budget, neither Myron C. Taylor, president of the United States Steel Corporation, nor Jackson Reynolds, president of the First National Bank of New York, could suggest any means of accomplishing that end.

Before both investigations the fact was borne out that none of the business leaders was infallible, that the great figures of the "new era" were in truth extremely fallible and in many instances downright ignorant. Possibly this truth was not new, but it helped to make the exponents of dictatorship seem ridiculous and to cast Congress in a different rôle from the traditional one of a common nuisance.

THE RAILROAD REPORT

The most interesting and perhaps important event in the recent history of American railroads is the report of the National Transportation Committee. This committee, formed at the instance of savings banks and insur-

ance companies to investigate the conditions of the railroads and transportation, made public its long-awaited report on Feb. 15. The committee asserted immediately that "the railroad system must be preserved," but it hastened to advocate regional consolidations looking to a single national system and the elimination of "excess and obsolete lines and equipment." "Unprofitable railroad services should be replaced by cheaper alternative transport methods" and the roads should be permitted to own competing services. The report maintained that government support of inefficient competing services, such as inland waterways, should be ended, while motor transport should be regulated and taxed in the public interest. Of interest to labor was the committee's stand that "rates, capitalization, salaries and wages must all follow changing economic conditions, but none should be sacrificed for the benefit of others."

In regard to rates the report declared that the roads were entitled to a "reasonable profit" based upon the cost of efficient operation and that, therefore, the present rule of rate-making should be revised. But the roads were condemned for not doing more to help themselves out of their present plight; general management should be improved; the roads should adopt "the competing methods of which they complain"; "unnecessary service should be abandoned; terminals should be consolidated; haulage made more efficient, and methods as well as equipment should be modernized." In the present emergency, reorganization should be facilitated, rules for ratemaking should be revised and the recapture clause by which prosperous roads are required to aid weaker roads should be repealed retroactively. As a final aid to the roads, loans from the R. F. C. should be granted with less attention to the present marketable value of the collateral offered by the roads.

In a supplemental report, Alfred E. Smith dissented from this last recommendation, as he did from that urging revision of the rules for rate-making. His greatest divergence from his colleagues, however, was his advocacy of the abolition of the Interstate Commerce Commission and the creation of a department of transportation under the direction of one man. "What we need," Mr. Smith said, "is a new transportation system, not endless hearings on a system that does not work."

Although the committee's report had been anticipated with great interest, it aroused little comment when published. However, it was hard to believe that the investigation and resulting recommendations would be wasted, especially if the Roosevelt administration carries out its campaign promise to include the railroads in the new deal.

THE ECONOMIC BACKGROUND

While Congress and its members battled with legislation and problems which the economic crisis has brought into being, local governments and private corporations carried on a fight against the forces which have changed the entire aspect of American life. A fundamental difficulty is the domestic debt burden, which requires attention no less than intergovernmental debts. Momentarily the Middle West has settled the farm mortgage problem through moratoria; a similar remedy is being adopted in many States for the protection of the small home-owner. Meanwhile, some banks and mortgage companies have voluntarily reduced the interest rate on mortgages and have acted leniently toward those unable to maintain principal or interest payments. Many corporations have improved their financial position by a general policy of writing down the value of their holdings and their liabilities. Deflation and liquidation have gone far in the general business structure.

A writing down of the capital structure of the railroads, however, has been prevented by loans from the R. F. C. Although this loan policy has been criticized by many economists, it has been defended by as outspoken a critic of railroading as Joseph B. Eastman of the Interstate Commerce Commission; in any case, receiverships and reorganizations have been staved off for the time being.

The debt burden afflicts American cities no less than individuals and corporations. At a conference of the Mayors of some of the great cities, held in Washington on Feb. 17, resolutions were adopted urging Congress to authorize the R. F. C. to make loans to municipalities which are in dire financial straits. The following days several Mayors testified before the Senate Banking and Currency Committee that without Federal aid municipal bankruptcy lay ahead. Mayor Murphy of Detroit summed up the situation when he said: "The enormous debt charges of the cities and the tax delinquencies, which now reach 40 per cent, are crushing us." "In Detroit," he continued, "the debt charge represents 67 cents out of every tax dollar. The vast burden of destitution is further crushing the citizens. The city is strapped."

Yet many sound students of economics are skeptical of the value of the R. F. C. and its policies, maintaining that the tremendous sums it has advanced have served primarily to bolster up a debt structure which eventually would have to be revised. Moreover, these critics declare, the R. F. C. may have prevented a panic so far, but there is no guarantee that it has removed all possibility of panic before business life reaches a more nearly normal level.

But loans or no loans, general business conditions showed little change, though the steadiness of business activity, even at a low point, was cited in some quarters as an encouraging sign. Between Jan. 28 and Feb. 25 *The New York Times* index of busi-

ness activity fluctuated between 54.0 and 52.3. Various statistical reports for the year 1932 help to make clear some of the changes that have occurred in the United States. The National Industrial Conference Board has estimated that the national income for 1932 was about 53 per cent lower than in 1929, a fact that is not surprising when a study of several indices places American business in 1932 on a level with that of 1913.

The spread of banking troubles naturally affected business activity at the end of February. Among the other reasons for the slight change in the index of business activity during February was the continued small output of automobiles, for which labor troubles in Detroit were partly to blame. Strikes against intolerable working conditions in the plants of the Briggs Manufacturing Company, which makes automobile bodies for the Ford Motor Company, forced the

latter concern almost entirely to shut down early in February. Strikes also occurred in the plant of the Hudson Motor Company. By the end of the month the troubles had ended and production had begun again.

While the bare chronicle of events in the United States is depressing, there is cause for hope in the changed attitude of many people. Instead of thinking about a quick return to "prosperity," many have come to realize that the process of revival must be slow and will be dependent upon a rather thorough reorganization of the nation's economic life. While the more enlightened may have seen this necessity for a long while, the Bourbon-minded have had it forced upon them by the growing acuteness of the economic situation. More striking, even if less important, was the wave of hope which swept over much of the nation as Mr. Roosevelt assumed control at Washington.

End of Nicaraguan Revolt

By CHARLES W. HACKETT

*Professor of Latin-American History, University of Texas;
Current History Associate*

THE settlement of all outstanding difficulties between General Augusto Sandino and the Nicaraguan Government was formally reached in a pact that was signed on Feb. 3 by President Sacasa, General Sandino and three of his aides and leaders of the Liberal and Conservative parties.

Under the terms of the pact an amnesty was granted to all former followers of General Sandino surrendering their arms within fifteen days at San Rafael del Norte, in the Department of Segovia. One hundred Sandinistas, to be selected for one year by President Sacasa and General Sandino, will be permitted to retain their

arms and are to serve as a police force in the region which they terrorized for nearly six years. Subsequently this force is to be chosen solely by the President. In order to assure the pacification of the former rebels, a large area will be set aside near the Coco River in Segovia Department for those who desire to settle as farmers. It was provided in the peace pact that the grant of land should be within thirty miles of a town and that details of its selection and subdivision should be handled by the Ministry of Agriculture.

General Sandino returned on Feb. 4 to San Rafael del Norte, where he is-

sued a "circular to all civil and military chiefs of our army, defenders of the sovereignty of Nicaragua." In it he announced that he had arranged "complete and satisfactory peace for Nicaragua," and ordered all his followers to concentrate immediately at San Rafael del Norte with all the war material in their custody. Sandino's circular concluded with the statement that "there now exist no differences of Nicaraguan armies, because we are sincerely and truly united with President Juan B. Sacasa, and our word before him carries decisive influence for the arrangement of whatever matters it is desirable to meet."

The followers of General Sandino were reported on Feb. 6 to have agreed to comply with the peace pact signed by their chief, and next day 1,800 Sandinistas were reported to have gathered in San Rafael del Norte to lay down their arms. Groups failing to obey orders of General Sandino to comply with the peace pact were to be pursued by the National Guard, with the full cooperation of General Sandino.

MEXICAN AFFAIRS

The sixteenth anniversary of the adoption of the present Mexican Constitution was celebrated on Feb. 5. The Senate held a commemorative session, after which its members deposited a wreath at the tomb of Venustiano Carranza, who convoked the Congress that completed the present Constitution on Feb. 5, 1917. Ceremonies were also held at the Statue of Independence, where rest the remains of the heroes of the Mexican War for Independence. Another celebration was held at Valbuena Aviation Field, where medals were conferred by Minister of War Cardenas upon the men who took part in the defense of Vera Cruz at the time of the American occupation in 1914.

By a decision handed down by the Mexican Supreme Court on Feb. 12, the Mexican people cannot rightfully be

held responsible for damages caused to foreigners by the Huerta Government which was in power in Mexico City from February, 1913, to July, 1914. The case involved a claim advanced by a German national, Adolfo Stoll, for supplies furnished to the Huerta Government and for a forced loan exacted from him by a Huertista General. The case reached the courts when Stoll, after his claim had been disallowed by the Mexican-German Claims Commission, applied for an injunction against the decision of the commission.

A convention for controlling the currents and rectifying the course of the Rio Grande in the vicinity of Juárez, Chihuahua and El Paso, Texas, was signed in Mexico City on Feb. 1 by Mexican Foreign Minister Puig Casauranc and United States Ambassador Clark. The convention applies to the course of the river for a distance of eighty-seven miles below El Paso and Juárez but does not relate to the Chamizal section, within the present limits of El Paso, which has long been in dispute between the governments of the two countries.

The appointment of Señor Fernando González Roa as Mexican Ambassador to the United States was officially announced in Mexico City on Jan. 30. Señor Roa, a noted lawyer, has been a leading figure in Mexican public life for more than thirty years. His diplomatic career began in 1916, when he was named a member of the Mexican commission to confer with a United States commission, headed by Secretary of the Interior Lane, to arrange for the withdrawal of the Pershing expedition from Mexico. He probably attained his greatest eminence as a member of the United States-Mexican commission of 1923, which was created to effect an understanding between the two governments arising from the operation of the agrarian and petroleum policies of the Mexican Government and also to negotiate special and general claims conventions.

The success of the commission in dealing with these important questions was followed by the recognition of the Obregón government by the United States. Señor Roa has been a member of the Permanent Court of Arbitration at The Hague and has served as a member of the Mexican-French, the Mexican-German and the Mexican-Spanish claims commissions.

United States Ambassador J. Reuben Clark, accompanied by his family, left Mexico City on Feb. 14 for Washington, where he tendered his resignation to President Hoover in order to allow the incoming Roosevelt administration a free hand in Mexican relations. President Hoover accepted Ambassador Clark's resignation without public comment on Feb. 25. In referring to the pending departure of Ambassador Clark, *El Nacional*, the Mexican Government organ, said editorially that he had accomplished his diplomatic task "in highly commendable fashion through his dignity, high sense of duty and fairness, discreet diplomatic conduct and a sincere effort at understanding." The American Chamber of Commerce in Mexico City announced on Feb. 25 that a petition carrying the names of several hundred resident American business men had been forwarded to President-elect Roosevelt asking that party affiliations be overlooked and that Mr. Clark be returned to Mexico as Ambassador under his administration.

CUBAN DISORDERS CONTINUE

Numerous disturbances throughout Cuba preceded and attended the celebration of the republic's thirty-eighth anniversary of its national independence. In Havana Independence Day dawned to the accompaniment of bursting bombs. Three exploded without doing serious damage in the residential sections, and five others went off in the Spanish Centro Asturiano. Military censorship was reported from Havana to have veiled with deepest secrecy the true situation in the in-

terior. (For a general account of the situation in Cuba see the article by Russell Porter on page 29 of this magazine.)

A dispatch from Havana, dated Feb. 22, to *The New York Times*, reported that "the military censors" had confiscated that day "115 copies of the March issue of the magazine CURRENT HISTORY, charging that an article entitled, 'Unrest and Disorder in Cuba,' by Charles W. Hackett, Professor of Latin-American History at the University of Texas, was prejudicial to the present administration in Cuba." The correspondent added: "Although the deluge of criticism of the Cuban Government in the United States press concerning the censorship imposed on United States publications imported into the island has brought repeated denials from government authorities that no such censorship exists, it is noticeable that magazines arriving here containing articles which show the present régime in an uncomplimentary light continue to be barred from sale."

Rumors on Feb. 27 that something approximating revolution existed in the interior provinces of Cuba were based upon various violent acts of the previous days. Three attempts in four days were made to destroy properties of the United Railways. Bands of rebels were reported in the provinces of Oriente, Camaguey and Santa Clara. The wrecking of a freight train in which two members of the crew were killed was attributed to sabotage. Bombs destroyed two small bridges in Camaguey Province, and other bombs exploded in cities of Santa Clara and Camaguey Provinces, where cane fields continued to be burned. It is estimated that 25,000,000 pounds of sugar have been burned since the present grinding season started. Nevertheless, official sources continued to blame Communists and unemployed for such disturbances as were admitted. Although army headquarters denied there had been any

movement of troops, two squadrons of the tactical unit stationed at Santa Clara were ordered out against cane-burners.

A second diplomatic incident between the Spanish Embassy and the Cuban Government since the first of the year regarding the arrest of Spanish students occurred on Feb. 6. An automobile in which two students, Luis Fuentes Guzmán and José Manuel Alemán, were riding collided with that of Representative Felipe González Sarraín. The youths were arrested and placed in Principe Fortress at the disposition of the Military Supervisor of Havana Province. Guzmán was formerly a law student at Havana University, but was expelled in 1928 by Presidential decree for his anti-

administration activities; last August he was released from the Isle of Pines Penitentiary, where he had been held incomunicado for eight months. Upon the arrest of Guzmán the Spanish Embassy advised the Havana Chief of Police that Guzmán was a Spanish subject and demanded guarantees for his life.

HONDURAN PRESIDENT INSTALLED

General Tilurcio Carias, Nationalist party leader, and General Abraham Williams, descendant of a distinguished British family, were inaugurated President and Vice President, respectively, of Honduras on Feb. 1. President Carias succeeded President Vicente Mejía Colindres.

Peace Efforts in South America

By HENRY GRATTAN DOYLE

*Professor of Romance Languages, George Washington University;
Current History Associate*

THE prospects for complete cessation of hostilities in the two border disputes that have disturbed the peace of South America during recent months seemed bright as February ended, though there were times during the preceding weeks when a peaceful outcome appeared more remote than ever, particularly in the Leticia controversy. Actual fighting, which the neutrals had tried so sedulously to prevent, occurred between Colombian and Peruvian forces in the Leticia region, and the war spirit in Lima manifested itself in a fiery speech by President Sánchez Cerro and in a mob attack upon the Colombian Legation.

On Feb. 27, however, it was announced from Geneva that both Colombia and Peru had notified the League of Nations that orders had been given to cease hostilities. In the

Chaco conflict, while reports on Feb. 28 indicated that Bolivian forces were still attacking in the Nanawa sector, and that a new attack on Fort Toledo had been launched, the neutrals' proposals for a cessation of hostilities had been accepted by Paraguay "with slight and unimportant modifications," and were reported to be under consideration by Bolivia. Only a week before it was announced that Paraguay would shortly declare war on Bolivia, a little formality that seems to have gone out of fashion in territorial disputes, although the new method has the advantage of not committing the participants as irrevocably as the old. Even now one should not be oversanguine about peace, because it is still possible for one or the other of the countries concerned to "upset the applecart" by even the slightest of

indiscretions or the least trace of stubbornness.

An interesting aspect of the neutral efforts has been the shift of emphasis in neutral activity from Washington to Geneva, in the case of the Leticia affair, and from Washington to Santiago with respect to the Chaco. In the former instance the League of Nations' Committee of Three, headed by Sean Lester of the Irish Free State, was the chief factor, earnestly supported by the United States. In the latter the proposals came from the ABC nations, cooperating with Peru, and grew out of the conference held at Mendoza, Argentina, on Feb. 1 by the Argentine and Chilean Foreign Ministers. It was, it will be recalled, the Washington Commission of Neutrals that appealed to the neighboring nations—Argentina, Brazil, Chile and Peru—to exert pressure for the cessation of the Chaco warfare. Thus in both instances the United States clearly indicated that its sole object was the restoration of peace, and that the State Department was willing to play a secondary rôle if necessary in order to bring it about.

While in foreign capitals American disinterestedness was thus being demonstrated, in Washington one of the most unsavory chapters in recent economic history was again brought to public attention by the Senate Banking Committee investigation of stock-market transactions. In testimony before the committee on Feb. 27 it was admitted by officials of the National City Company that it had participated in the flotation of Peruvian loans in the United States although confidential files of the company showed the Peruvian Government at that time to be "an adverse moral and political risk." The bonds are now selling at a small fraction of their original price. (For a discussion of investors' losses in South American securities, see *CURRENT HISTORY* for February, 1932, pages 720-722.) The Peruvian episode, however, is only one of a series of ill-advised loan flota-

tions of South American securities in which indifference to investors' interests, bad judgment and, sometimes, criminal folly seem to have been mingled. But the South American scandal is of a piece with the Kreuger & Toll affair and other instances of international banking mistakes made before the depression.

PROPOSED ARMS EMBARGO

The arms embargo proposed by President Hoover at the suggestion of the State Department had no chance of passage by either house before the end of the lame-duck session. Action in the Senate had been blocked by Senator Bingham, and although the House Foreign Affairs Committee reported the bill, the Rules Committee denied a hearing upon it and Speaker Garner refused to let it come up under suspension of the rules. As reported, the bill carried an amendment to limit the President's authority to the Western Hemisphere.

Strong opposition to the arms embargo proposal was expressed by Senator Borah in a statement on Feb. 23, after learning that Great Britain had imposed an embargo on Japan and China. Such an embargo, he said, was equivalent, under prevailing conditions, to taking sides with Japan. Application of the idea to the South American disputes was discussed in the Council of the League of Nations, after the League had been informed that Great Britain and France were ready to cut off shipments of arms and war materials to Paraguay and Bolivia. Dr. Wellington Koo, Chinese representative at Geneva, supported the suggestion for a "two-way" embargo against Bolivia and Paraguay, on the ground that there was doubt as to which of the nations was the aggressor, while criticizing the British embargo in the case of Japan and China, doubtless because of the implications of the League report on Manchuria.

The discussion of the proposed embargo brought out the difficulty of

applying an embargo with full equity in any given case. Commentators have pointed out that unless there is world-wide application of the embargo it is useless, and that if directed at both belligerents it actually favors the one best prepared before the outbreak of hostilities (often the aggressor in fact). Another objection is based on the difficulty of determining the aggressor. In a strong letter to the *New York Herald Tribune* Professor Edwin M. Borchard of Yale argued that the proposed legislation here would also be unconstitutional, since it would give to the President "the power to make treaties without the consent of the Senate, to enter into alliances without the consent of the Senate, to violate the neutrality laws of the United States by embargoing shipments to one of the belligerents, and, in effect, to declare war on the country thus selected."

Another factor involved in the application of an embargo in the Chaco conflict is Bolivia's treaty right to import merchandise through Chilean ports, based on the Chilean-Bolivian treaty of 1904. According to news dispatches, a discussion has been going on between Chile and Bolivia as to whether war materials were included in this treaty right, Bolivia holding that they were, Chile that they were not. Since practically all Bolivia's war materials enter through the Chilean ports of Arica and Antofagasta, Chile's action in imposing an embargo might be disastrous to Bolivia. It was reported that Chile recently held up some of these supplies, but finally released them after Bolivia had made representations. According to the same report, the request of Paraguay's President for a declaration of war against Bolivia was based on this incident, since a declaration of war would establish Bolivia's status as a belligerent and thus perhaps strengthen Chile's hand with respect to an embargo. But on March 2 the Paraguayan Congress

had not acted upon President Ayala's message.

American critics of the embargo idea have also brought up the use of the existing Presidential embargo power (applicable only to prevent internal strife) by Presidents Taft and Wilson toward Mexico. Wilson's withdrawal of the embargo materially aided the Carranza revolution.

It is unfortunate, but perhaps natural, that the interests of arms manufacturers have apparently had such a prominent part in discussions of the proposal. Advocates of the proposal point out, for instance, that Senator Bingham comes from Connecticut, in two cities of which (New Haven and Bridgeport) large munitions plants are located.

THE LETICIA AFFAIR

The expected clash between Colombian forces proceeding to recapture Leticia and the Peruvians took place on Feb. 14, when Peruvian planes bombed the Colombian gunboat *Córdoba* in the Putumayo River and, according to Colombian reports, were driven off by Colombian planes. Peruvian reports, however, indicated that the Colombians were the aggressors. On the following day the Colombians took the town of Tarapaca, on the Putumayo, at the northern end of the Amazon corridor over which the Leticia dispute occurred. No casualties were reported. Further bombing attacks by Peruvian planes constituted the only other activity in the region reported at the time of writing.

Warlike preparations on the part of both Colombia and Peru were reported throughout February. Colombia, for instance, floated a national defense loan of \$10,000,000, inaugurated new war and income taxes and established military conscription for all males between 20 and 45. A Presidential decree in Peru forbade the issuance of passports to males between the ages of 21 and 25 in order to retain all men of fighting age.

The attack on the Colombian Lega-

tion in Lima, which has already been mentioned, occurred on Feb. 18. The Colombian Minister, Fabio Lozano Jr., had to flee with his wife and daughter, taking refuge in the Chilean Legation; later he reached Guayaquil, Ecuador, by plane. According to his statement, the mob sacked the wine cellar, destroyed furniture and burned records in the street. Peruvian official statements declared that the crowd had merely stoned the legation and attributed the incident to the Colombian Minister's failure to leave Peru immediately after relations were severed. On Feb. 21 the Peruvian Congress passed a resolution of confidence in the Ministers of Foreign Affairs, War and Navy.

EVENTS IN THE CHACO

Military activities in the Chaco during the month, while apparently continuous, did not result in marked advantage to either side. The Paraguayans were still holding Nanawa, the "Verdun" of the Chaco warfare, which is almost completely invested by the Bolivians. Efforts in the northern sector to break through to Arce and Alihuata were likewise apparently fruitless. Similarly, Paraguayan efforts to break the lines of the Bolivians were repulsed. Artillery preparation preceded many of the attacks, the Bolivians using regular artillery, the Paraguayans trench mortars. At the end of the month Paraguayan reports claimed that four Bolivian attacks on Forts Corrales and Toledo were repulsed with heavy losses.

One result of the fighting in the Chaco may be the departure of the 5,000 Mennonite colonists, who for five years have been struggling to bring 75,000 acres under cultivation. If they leave, the Chaco will lose about one-sixth of its white population and one-fourth of its cultivated land will revert to the jungle. Only last Summer the League of Nations paid the expenses of some of the colonists to migrate to the Chaco from

Manchuria, when the conflict between the Chinese and Japanese made peaceful farming impossible. Among the colonists are pacifist Mennonites from the United States, descendants of German immigrants to Russia who fled from the anti-religious program of the Soviet Government, and Mennonite colonists who failed to find in Mexico the peace they sought. Co-religionists in Holland and Germany had planned to join the colony in the Chaco ultimately.

SOUTH AMERICAN UNREST

President Justo of Argentina entered upon his second year in office on Feb. 20, with Argentina still under the "state of siege" declared last December after the discovery of Radical plots against the government. President Justo has not, however, replaced any of the provincial Governors or suspended elections. Release of former President Irigoyen was ordered by the Federal courts on Feb. 23. The Minister of the Interior announced that the court order would be obeyed, although the government had refused to obey a similar order issued a week before on behalf of Dr. Marcelo T. de Alvear, also a former President. The government based its refusal on the extraordinary powers granted it under the "state of siege." Both leaders had been accused of complicity in Radical plots.

Argentine farmers, principally in the Provinces of Córdoba and Santa Fé, on Feb. 1 initiated an agrarian strike, for the purpose of securing a moratorium on debts, reduction in tax appraisals, interest cuts and a fixed price for corn.

A threatened civil war in Uruguay seemed to be averted when, on Feb. 15, Luis Alberto de Herrera, leader of the Nationalist party, announced that his followers would not carry out the threat of "direct action" against the government of President Gabriel Terra. Contending that the present commission form of government by the National Administrative Council had

proved inadequate, the President had urged constitutional reforms to abolish it. Socialist members of the Chamber of Deputies presented a motion on Feb. 10 to impeach the President. Under the Constitution of 1917, the executive power is in the hands of an administrative council of nine members. Opponents of the President allege that because the two minority parties have combined to control the council (and therefore patronage) the President wishes to change the system.

In Ecuador, according to a dispatch of Feb. 18, a student demonstration over the arrest of one of their number because of seditious activities seemed likely to result in the closing of the University of Quito.

A number of members of the Workers Federation in Chile were arrested on Feb. 25, after an alleged discovery of a Communist plot involving soldiers and sailors. Headquarters of the "Reds" were said to be maintained in Montevideo, Uruguay, and it was stated that the

Chilean uprising was to be the first of a series affecting other countries.

Uncertainty as to whether the scheduled national elections will be held in Brazil on May 3 has caused considerable unrest in that country. The North favors postponement, while the South, including the States of Rio de Janeiro and Minas Geraes, opposes it. A majority is believed to favor holding the elections as promised, in spite of the fact that enrolment so far has been small, largely because of the restrictions of the electoral code, which requires fingerprints, photographs and other red tape. Dr. Oswaldo Aranha, Minister of Finance, who had previously pledged himself to insist on elections being held as announced, declared on Feb. 10 that unless the elections were held on May 3 he would resign and return to his native State of Rio Grande do Sul. It will be recalled that Dr. Aranha's sturdy support of the government was a factor in its victory over the revolting State of Sao Paulo last year.

Canada's Reciprocity Move

By J. BARTLET BREBNER

*Assistant Professor of History, Columbia University;
Current History Associate*

MR. R. B. BENNETT, the Canadian Prime Minister and leader of the Conservative party, surprised Canada on Feb. 20 by announcing in the Dominion Parliament that his government was desirous of effecting a reciprocal trade treaty with the United States, but expected the first move to come from Washington. "There is," he said, "an earnest desire on the part of the Canadian people * * * to take advantage of the markets afforded by the most populous community in the world."

This blessing by Mr. Bennett on an

idea which his party had traditionally opposed was not unqualified, but it was the first public recognition by a Conservative leader of the identity which existed between President-elect Roosevelt's policy of "reciprocal trade treaties" and the policy which Canada has pursued since 1921, and which was so broadly followed last Summer at the Ottawa conference. Mr. Bennett referred to the forthcoming World Economic Conference and expressed the hope that it would check economic nationalism and that the principle of reciprocal commercial

agreement would gain the ascendancy.

This unexpected announcement naturally aroused much speculation, particularly when it was later revealed that Henry Morgenthau Jr., had been sent to Ottawa by Mr. Roosevelt to inquire as to the prospects of a reciprocal trade treaty, and that the Canadian Minister to Washington had conferred with the President-elect. These events, coupled with Mr. Bennett's visit to London and the trend of the Anglo-American debt negotiations, led many to believe that Great Britain, Canada and the United States would attend the World Economic Conference after having reached important preliminary understandings. The reception to Mr. Bennett's trial balloon was favorable in the United States Congress and in the Canadian Parliament. Canadian opinion held that after twelve years of successively higher American tariffs, the Ottawa agreements had awakened the United States to the loss of her best customer.

Canada needed a stimulant to her commerce which, since October, has fallen below the figures of a year earlier. Exports averaged about 80 per cent and imports about 72 per cent. The trade surplus remained substantial, but the total trade continued to decline. Increased exports to Great Britain were in line with the Ottawa agreements, but British imports declined and their true significance was obscured by calculating the pound sterling at its old parity. Recently *The Annalist* published its estimate of the Canadian balance of payments in 1932. Against foreign obligations of \$271,000,000, it set the exact equivalent in the sum of \$82,000,000 trade surplus, \$62,000,000 gold export and \$127,000,000 tourist expenditures.

Grain prices were about 20 cents lower than a year ago. In the first six months of the crop season, Canada exported 48 per cent more wheat in volume than in 1931-32, but the increase was only 32 per cent in value.

The results of denying British preference to Canadian grain not shipped from Canada have not been entirely as expected. The question of preference on the second test cargo which went from New York in the S. S. *Britannic* was referred to London by the Liverpool authorities and preference was refused, apparently because the grain had been stored in New York while in transit. The port of Vancouver, B. C., has profited greatly by this ruling, but the Canadian Atlantic ports have not done so well. From mid-December to the end of January they handled 3,439,000 bushels of Canadian grain, while the American Atlantic ports, whose exports of Canadian grain were excluded from the British market, handled 5,082,000 bushels.

The long-awaited Canadian Tariff Board demanded in the Ottawa agreements was created on Feb. 6. The chairman, Justice G. H. Sedgwick of the Ontario Supreme Court, was welcomed, although regarded as inexperienced in commercial matters. The vice chairman, Milton Campbell, Progressive member of Parliament from Mackenzie, Saskatchewan, was regarded as a political appointee by both Conservatives and Liberals. The third member, Charles Hebert, has had ten years of experience in the wholesale grocery business in Montreal, but struck many observers as being young for so responsible a position.

The behavior of the South African pound in swiftly declining from gold parity to about the level of sterling affected London sentiment toward the Canadian dollar, particularly in the light of increased Anglo-Canadian and decreased Canadian-American trade. On Feb. 1 the Canadian dollar fell to 20 per cent below the American in London and 18½ per cent in New York. It recovered slightly, but stood at about 83 cents in New York during most of February. About \$4,000,000 in gold was sent from Canada to the United States. The Dominion Govern-

ment succeeded pretty well in putting a quietus on talk of inflation by pointing out that increased taxation would be the only way to meet foreign obligations.

The railway situation remained doubtful. The Senate repudiated a merger of the two systems and the Canadian Pacific Railway opposed the proposed joint arbitral board.

J. H. Thomas, Secretary of State for the Dominions, announced in London on Feb. 22 the creation of a royal commission to examine into Newfoundland finance. Lord Amulree was to act as chairman, with two Canadians to assist him—Sir William Stavert of Montreal, nominated by Newfoundland, and C. A. Magrath, nominated by Canada.

BRITAIN'S ECONOMIC DECLINE

The recently prevailing mood in Great Britain has been one of systematic self-reassurance, but this has not been supported by events. The Board of Trade has calculated that the 1932 deficit in the total relation of British expenditures and receipts was £59,000,000. The January trade figures showed a decline in exports, both from the previous month and from the corresponding month in 1932. Imports amounted to £54,124,000 (£62,149,000 in 1931); exports, £33,395,000 (£36,362,000); deficit, £20,729,000 (£25,787,000). Unemployment rose by 179,778 to 2,903,065, and the increase was not entirely owing to seasonal changes. The transfer of many of the unemployed from insurance benefits to poor law relief was seriously straining local government bodies, and on Feb. 17 Liverpool sent a delegation to London to seek assistance in its increased responsibilities.

These signs of a continued deepening of the economic depression were somewhat obscured by the success of the Treasury and the Bank of England in repurchasing more than enough gold to make up for the December payment to the United States. These operations, carried on through the ex-

change equalization account, reflected the characteristic seasonal rise in sterling as accentuated by the banking crisis in the United States. The government in its successful efforts to keep the pound at about \$3.40 had to buy dollars, with which it in turn bought gold and thus replenished with gold both the exchange equalization account and the Bank of England. It was suggested in some circles that, apart from the necessity of having gold to meet any later seasonal decline in sterling, the government may also have had in mind the possible settlement of the war debt to the United States by a lump sum payment. The official explanation made by Neville Chamberlain was that they were trying to avoid being at the mercy of "large sums of foreign money, which are bad money in the sense that we cannot rely on retaining them."

Belief in the evils of the gold standard showed some signs of becoming an article of popular economic faith, as repeated official statements denied any intention of a return to it in the near future. Neville Chamberlain's creed that "sterling is more stable than gold as a measure of value" was generally believed, for it was corroborated by a continued slight decline in prices. In fact, British defenders of the gold standard were in complete retreat, leaving the traders, who want a cheap pound, in command of the situation.

The conferences between Sir Ronald Lindsay and the Cabinet over the war-debt situation were prolonged and brought an end to public announcements as to what Great Britain would or would not do. Negotiations with the incoming American administration were initiated. The great problem was to find some items with which to bargain. The proportions of Anglo-American trade were almost 5 to 1 against the United Kingdom. Its tariff barriers were almost negligible compared with those of the United States. Some

hope of a revision of the Ottawa agreements was raised when the Canadian Minister at Washington also conferred with President-elect Roosevelt, but it was difficult to see how such revision would greatly alter Anglo-American economic relations. The situation was resolving itself into a search for a symbol of concession by Great Britain in return for a new debt settlement. One outstanding result was a growing determination to make the World Economic Conference produce some scheme or other calculated to revive international trade in something besides bullion.

The estimates preliminary to the annual budget forecast little in the way of economy. Reduction in the civil estimates reflected little more than the transfer of some of the relief for unemployment from central to local authorities. On the other hand, the three fighting services were anxious to end the economies of 1932. The navy put the complete 1931 building program into effect and the prevailing governmental sentiment, in the light of the failure of the Disarmament Conference and of events in the Far East, was that the reduction in British defense expenditures during the past three years was poor policy.

AN IRISH FIVE-YEAR PLAN

President de Valera of the Irish Free State and his Cabinet, since their success at the polls, have pretty well confined their public program to plans for "a Christian social order," not communistic, as they have been careful to explain, but along the lines suggested by Pope Leo XIII and the present Pope. Viewed from outside, their schemes for an economic council and a five-year plan looked like an Irish variety of the prevailing economic nationalism, but internally they really involved an economic and social revolution. In order to become economically self-sufficient, Ireland must change from being a country of landlords, cattle-raisers and a few manufactur-

ers for foreign markets, with a supporting peasantry, to a country of small holdings, small-scale manufacture and small business. "Frugal comfort for many" was the award which de Valera held out for those who would work hard for it.

The problem of internal order seems to have diminished. Just after the election the White Army was somewhat aggressive in its recruiting proposals, but later in the month a number of rather dramatic resignations indicated that the movement was subsiding. The Irish Republican Army continued to exert pressure on the President and he appeared to yield them a scapegoat by removing General Owen O'Duffy from his office as Commissioner of Police. General appeals for unity to the old (Protestant) Unionists and to Ulster were made by de Valera, but in the nature of things these could be gestures only.

Resignedly the country awaited revelation of the economic and financial situation. External trade fell by £19,000,000 in 1932 and unemployment increased ominously. The budget deficit was reported to be £7,000,000, or about 30 per cent of the cost of government. The retained annuities, amounting to £4,500,000, could be applied to reduce this. No one believed that they would be paid to Great Britain, but there were a few indications of forthcoming Anglo-Irish negotiations. The country has been financed by Treasury bills, but the government must soon resort to public loans.

AUSTRALIA'S RECOVERY

Australia's remarkable recovery from her economic and fiscal ills was signalized at the beginning of February by a further step toward normal finance. The Federal Loan Council, meeting in Melbourne, agreed with the Commonwealth Bank that the Federal and State Governments would stop financing public works by means of Treasury notes and after June 30 turn to the open market for their

needs. During the reconstruction some £90,000,000 in Treasury bills provided a "cushion" for the governments, much as has been the practice in Great Britain and the United States. Now that the Premiers' plan has succeeded, this amount will be reduced. Owing to the world decline in commodity prices, this enormous expansion of public credit was not reflected in a rise in Australian prices.

THE NEW ZEALAND POUND

In New Zealand the recent devaluation of the pound at the demand of the farmers has seriously divided the people. One of the chief criticisms has been that it has violated the spirit of the Ottawa agreements not to increase tariffs. This has been borne out by renewed Canadian protests over the importation of New Zealand butter.

SOUTH AFRICAN POLITICS

South African politics were tempestuous and confused during the February session of the Union Parliament. Violent personal exchanges between General Hertzog and General Smuts and their followers were aggravated by a serious split in the Nationalist government, which had been sustained by the vote of confidence of Feb. 1. Tielman Roos was unable to reach an understanding with either of the major parties. This intolerable situation inevitably produced negotiations for coalition. General Hertzog, acting independently of his party caucus, wrote to General Smuts on Feb. 14 outlining seven almost completely acceptable conditions for a National government. The personal antipathy between the two old leaders made negotiations difficult, but it was believed at the end of the month that sufficient agreement had been reached to allow dissolution of the

present Parliament and a general election in July.

QUIET IN INDIA

The Indian scene has remained quiet during the consideration of the new Constitution. In England the reactionary Conservatives, in their own associations and in Parliament, have tried unsuccessfully to delay or alter the reforms, and the nature of this opposition has tended to make Indian opinion value more highly the concessions which have been made. In spite of some pressure for Gandhi's release, he has remained in prison, the reason being that he has declared that if released he would immediately devote all his talents to stimulating the civil disobedience movement. His wife was arrested on Feb. 4 for illegal political activities and sentenced to six months' imprisonment. On Feb. 26 the government of India reaffirmed its attitude to the Congress party and its civil disobedience campaign by prescribing the March meeting in Calcutta of the All-India National Congress.

GOLD IN KENYA

The native evictions from the newly discovered gold fields in Kenya were vigorously discussed in England by public and Parliament early in February. In spite of castigation of both the Kenya and British Governments, the British Parliament adopted a motion approving the eviction of 300 native families, in an area of 1,000 acres, on Feb. 8. Sir Philip Cunliffe-Lister, Secretary of State for the Colonies, defended the policy and said that its effects had been greatly exaggerated. The issues involved were far-reaching, however, and deep differences of opinion were expressed, particularly as to the prospect of Kenya producing another Rand with all its industrial accompaniments.

France Debates Taxation

By GILBERT CHINARD*

THE Daladier Cabinet, the French Government which succeeded that of Paul-Boncour, defied the prophecies of a very short life and during the first month of its precarious existence successfully weathered all parliamentary storms. M. Daladier's declaration of policy, dealing particularly with the financial situation, was favorably received by the Chamber and was approved by a vote of 370 to 200. Although refusing to endorse officially the program of the new government, the Socialists and their leader, Léon Blum, felt inclined to support it "with reservations," while M. Herriot during the discussion gave the government the full support of the Radical Socialist party.

The Cabinet took office in an atmosphere of discontent and criticism. Following a recent speech of Joseph Caillaux, André Tardieu, who had remained silent since last Summer, called for radical reforms in a public lecture widely reproduced in the French press. He pointed out that

*Professor Chinard, with this issue, replaces the late Professor Othon G. Guerlac as Current History Associate contributing the monthly survey of events in France and Belgium. Born and educated in France, he began his career in this country in 1908, as an instructor in French at the College of the City of New York; subsequently he taught at Brown University and the University of California. Joining the faculty of Johns Hopkins University in 1919, he has been since 1925 a member of the Walter Hines Page School of International Relations as Professor of French and Comparative Literature. He is the author of a number of works on French and American literature and history, the most important being his *Jefferson, the Apostle of Americanism* (1928), and other books resulting from his extensive studies of Thomas Jefferson.

owing to parliamentary instability the republic had been governed by no less than ninety successive Cabinets during the sixty years of its existence; that four-fifths of the taxes were paid by 60,000 citizens and, insisting on the desirability of closer cooperation between the Parliament and the people, suggested a system of referendum and longer terms for members of Parliament. A few days earlier, in a letter printed in *L'Action Française*, the Duc de Guise, Royalist leader and pretender to the French throne, had attempted to inject himself into French politics. Addressing the veterans, public employes and taxpayers, he called attention to the defects of the Republican régime. This appeal does not seem to have caused any particular uneasiness to the government, but President Lebrun at the annual dinner of the Republican newspaper men recognized that the budgetary situation of France was very serious and that the deficit demanded immediate attention and rigorous reform.

With strong emphasis on the financial crisis, the Daladier Cabinet introduced a bill calling for a total saving of \$222,640,000, of which \$96,680,000 was to come from a reduction in expenses, \$106,720,000 from new taxes and redistribution of existing taxes and \$19,240,000 from other sources. In this project a temporary reduction in salaries above \$800 was to provide \$18,360,000, while it was hoped that more efficient collection of the existing taxes, evaded by a large number of taxpayers, would yield a substantial amount. But it was frankly admitted that the greater part of the proposed reduction would have to be provided by a reduction of govern-

mental expenditures. The totals presented were a compromise between those of the two preceding Cabinets—somewhat more drastic than the project of Germain Martin and somewhat less so than the bill submitted by M. Chéron.

The Cabinet adopted a cut of \$25,520,000 in military and naval expenditures proposed by the Finance Committee of the Chamber and allowed a reduction of \$10,000,000 from salaries and pensions. In the preamble to the bill it was explained that the details of the plan could not be discussed immediately, but that the object was to wipe out the greater part of an estimated deficit of \$240,000,000 with a minimum of new taxation.

The discussion on the budget proposals in the Chamber began in a conciliatory manner. Léon Blum, the Socialist leader, declared that he would not bring forward the proposals he had prepared as an alternative to the provisions of the Chéron bill, and the measure was adopted without essential modifications. It was sent to the Senate on Feb. 14 and there met with more opposition. The Finance Committee of the Senate took particular exception to the reductions proposed in the military and naval budgets, which were considered as seriously endangering the security of France. These particular provisions of the bill were rejected by the Senate, without entailing the fall of the Cabinet, since the issue had not been made one of confidence. The bill was sent back to the Chamber of Deputies, whose committee insisted upon the original proposal, and then returned to the Senate practically as it stood at first. Upon assurances by M. Daladier that the efficiency of the army could be maintained, and after a long discussion, the Senate by a vote of 180 to 118 affirmed its confidence in the government and approved the \$20,000,000 reduction in military expenditures.

Meanwhile the government had been harassed by protests from many quarters. The recently formed taxpayers'

association has become very active, holding frequent meetings and sending delegates to the government to protest against any increase in taxation. Associations for woman suffrage have passed resolutions endorsing the old principle of "no taxation without representation" and have threatened to refuse to pay taxes unless women were granted the vote. An organization known as the Union of Economic Interests, boasting of the support of 700,000 merchants, protested against fiscal inequality and excessive public expenditures. As a further protest the members closed their shops for a day. This strike of the shopkeepers of Paris caused very little inconvenience.

A few days later different organizations of government employees undertook to carry out a similar protest. Among these were the unions of postal workers, telegraph employees, public transport workers and elementary school teachers. The strike, which lasted from ten minutes to one hour, took place without incident or serious interruption of the public services; in schools the children simply enjoyed a recess of an hour and a half instead of an hour, while the teachers were holding special meetings; in the telegraph offices the strikers had assigned some of their members to take care of emergencies. On the whole it was one of those "gestures" in which the French people have always delighted, but it gave the unions a chance to perfect their machinery and to realize their strength. On the other hand, several associations of public servants which are not organized in unions, particularly the secondary school teachers who form a sort of aristocracy, took this opportunity to reaffirm their loyalty to the government.

It cannot be denied, however, that the French taxpayers, who for the past ten years have accepted almost passively the steady annual increases in government expenditures and taxes, have at last grown restive under the

burden and now demand drastic cuts in the budget. A large body of pensioners and public employes, however, are no less decided that the scale of compensation which they have gradually obtained from the government must be maintained. The opposition of these antagonistic interests makes M. Daladier's success highly uncertain.

Statistics for foreign trade showed a heavy adverse balance of \$40,000,000 for January as a result of the fall of exports and the excess of imports. Nevertheless, the French market has been reopened to American exporters of patent leather. Mass meetings of women's organizations demonstrating against foreign goods in favor of French products do not seem to have affected materially the attitude either of the government or of the public. A somewhat disquieting symptom of economic conditions is apparent in the large decrease of foreign tourists. Statistics recently published by the National Office of Tourism indicate a decline of nearly 600,000 visitors for the year 1932. French shipping men have become decidedly pessimistic. George Philippar, president of the builders committee, has declared that 66 per cent of French tonnage is laid up and has asked for governmental subsidies to pay the wages of the crews.

Confronted with these pressing problems, the new Cabinet has apparently paid but small attention to foreign questions. Officially M. Daladier has taken no position on the debt, although M. Claudel, the French Ambassador to the United States, did

have an interview with President-elect Roosevelt. Both the Cabinet and the Parliament are evidently uneasy at the reported attitude of the American public regarding debt cancellation.

In spite of the government difficulties there seems to be no uneasiness about the financial soundness of the country as a whole. The franc has been remarkably steady; the exodus of gold has continued at a slow rate, but the ratio of reserve cover has remained practically unchanged at about 77 per cent. The government was able to float successfully \$80,000,000 of postoffice bonds, actually a State loan, and it was hoped that the finance bill would be adopted without serious modification.

BELGIAN AFFAIRS

Departing from a long-established policy, the Belgian Cabinet has accepted the principle of direct financial intervention by Belgium in favor of the Congo. A request has been placed before Parliament for credits amounting to about \$50,040,000 to be spent largely on the administration of justice, public works and health service. A measure to rescind the decree imposing quotas on imports of automobiles or detached parts was adopted by the government. Quotas will be replaced by a tariff of 35 per cent on all imports, whatever their origin.

After a vigorous discussion in the Belgian Chamber the order of the government forbidding the distribution of the Socialist paper *Le Peuple* in military barracks was approved by 84 votes to 69.

Germany Under the Iron Heel

By SIDNEY B. FAY

*Professor of History, Harvard University and Radcliffe College;
Current History Associate*

THE elections for the German Reichstag and the Prussian Diet, held on March 5, resulted in a victory for the combined forces of the National Socialists, led by Chancellor Adolf Hitler, and the Nationalists. The results of the polling for the Reichstag as known at an early hour on the morning of March 6 were as follows:

Party.	Votes polled.	Seats.	Gain or Loss of Seats.
National Socialists...	17,300,000	288	+93
Nationalists	3,100,000	53	+ 3
Social Democrats....	7,000,000	118	- 3
Communists	4,800,000	81	-19
Centrists and Bavarian People's Party...	5,500,000	91	+ 3
Scattered	1,347,000	17	- 4
Total.....	39,047,000	648	+73

In the Prussian Diet election the final tabulation of votes cast showed on the morning of March 6 the standing of the parties as follows:

	Vote.	Percent- age.
National Socialists....	10,333,000	43.0
Nationalists	2,158,000	9.0
People's Party	242,000	1
Christian Socialists....	215,000	1
Centrists	3,367,000	14
State Party.....	164,000	0.7
Socialists	3,952,000	16.5
Communists	3,131,000	13.0
Scattered	449,000	1.8
Total vote.....	24,008,000	

Thus, in the words of Frederick T. Birchall, correspondent of *The New York Times*, "suppression and intimidation have produced a Nazi-Nationalist triumph. The rest of the world may now accept the fact of ultra-Nationalist domination of the Reich and Prussia for a prolonged period with whatever results this may entail." What these results may be were indicated in an Associated Press dispatch

which said: "Germany now is well on the way to a Fascist dictatorship. Chancellor Hitler, by the vote of the people, has received the legal tools to annihilate the last vestiges of the democracy, which he considers a failure."

Among the outstanding features of the polling for the Reichstag was the increase of the Nazi vote to 44 per cent of the adult population, or 11 per cent over that of Nov. 6 and 6½ per cent over the high-water total of July, 1932. The Nationalist vote increased barely 1 per cent. Hardly less sensational was the gain made by the Nazis at the expense of the Catholics in Bavaria, where they beat the People's party by about 600,000 votes. In Cologne, the Catholic capital of Germany, the Nazis came within an ace of seizing control. On the other hand, the Social Democrats appear to have held their ground very well, for their vote was almost as large as in November last and they have 118 seats in the new Reichstag. The Communists received about 1,000,000 votes less, but the fact that they were able to poll 4,800,000 votes and obtain 81 seats indicates that the German militant workers still constitute a formidable element for Germany's dictatorship to deal with.

The five weeks preceding the Reichstag election were marked by a series of progressively severe measures by the Hitler Cabinet, calculated to handicap or intimidate not only the Communists but also the Social Democrat and Catholic Centrist parties in the elections and thereby secure a victory for the National Socialists. By ruthlessly suspending newspapers and

suppressing meetings of the opposing groups, Hitler and his followers, at last in power, seemed bent on establishing something like a Fascist State. President von Hindenburg meanwhile appeared to be giving a free hand to Hitler and his associates in their measures aimed at perpetuating their rule. Some observers in Germany suggested that the aged President was beginning to weaken in the stanch independent attitude which had characterized him hitherto.

The last remnants of Prussia's autonomous rights as a Federated State were wiped out by President von Hindenburg on Feb. 6 when he signed a decree appointing Vice Chancellor von Papen to be Reich Commissioner for Prussia, with complete ministerial powers. This enabled Colonel von Papen to cast the vote which resulted in the dissolution of the Prussian Diet on the same day. This body had hitherto been a bulwark against National Socialism and had refused to dissolve. But under the Prussian Constitution authority to dissolve it lay in the hands of three officials—the President of the Prussian Diet, the President of the Prussian Council of State and the Prussian Premier. The first of the three, Hans Kerrl, was a National Socialist, but he was in a minority so long as Otto Braun, a Social Democrat, retained power as Prussian Premier. With Braun's displacement by von Papen, the latter was able to overrule the third man, Dr. Conrad Adenauer, and order the dissolution of the Diet as desired by the National Socialists. Prussian elections were then set for March 5, the same day as the Reichstag elections, the National Socialists hoping to get control of both bodies.

President von Hindenburg's decree was regarded as running counter to the decision handed down by the Federal High Court on Oct. 25, 1932, and an appeal against the decree was at once lodged by Otto Braun before the court. Bavaria also protested, fearing that a similar invasion of her State

rights might be attempted. Bavarian newspapers attacked the decree as unconstitutional and as tending to destroy the structure of the Federal Council itself. Under the Federal Constitution the Federal Council has a legislative function, representing the interests of the States as against the Federal Government on the one hand and the Reichstag on the other. Prussia has 27 of the 68 votes in the Federal Council, and 14 of Prussia's votes are directly instructed by the Prussian Cabinet. These fourteen votes are now controlled by Commissioner von Papen, in other words, by the government of the Reich.

The Reichstag's Standing Committee on Parliamentary Rights had to be adjourned on Feb. 7, because Nazi members refused to permit Paul Loebe, its Social Democratic chairman, to proceed with business, on the ground that he had attacked Hitler in a recent campaign speech. Cries of "Swine!" interrupted every effort of Loebe and his colleagues to speak, until the session had to be abandoned. A week later the committee's effort to meet and proceed with urgent matters was again interfered with in similar fashion by the Nazis. Loebe then drew up a formal protest to present to the President of the Reichstag, but as this person happened to be Dr. Hermann Goering, one of the most vigorous agents in destroying opposition to the National Socialists, there was little likelihood that the protest would receive any attention. The sole body thus left to maintain the continuity of the prerogatives of the Reichstag virtually ceased to exist.

The newspaper *Vorwaerts*, the official organ of the Social Democratic party, was confiscated on Feb. 3 by order of the police under Hermann Goering and barred from publication for three days. The only ground for the action was that the paper had published an election manifesto in which it had used such expressions as "Rise and Fight," expressions which

are commonplaces in the vocabulary of all the German parties and have been very frequent in the National Socialist papers themselves in the past.

Three days later a stringent decree was issued by President von Hindenburg against circulating any printed matter tending toward violence, strikes, disobedience to the government or holding up to contempt any government official. For a first offense a newspaper might be suspended for four weeks, and for a second offense for six months. Any foreign newspaper printing matter that would make a German paper liable to suspension might be barred from circulation in Germany for six months. The administration of the decree was vested in the respective State governments, but if the latter refused to act the Reich Minister of the Interior might carry the case to the Supreme Court.

In the following weeks this decree was invoked freely against all Communist papers, which thus were virtually put out of existence during the weeks before the election. Even moderate papers like the Centrist *Germania* were temporarily suspended. As a result, the whole press of Germany, with the exception of the National Socialist and Nationalist papers, were much restricted in their freedom of expression and in their appeals to their constituents during the election campaign. The radio also was restricted as a monopoly for the use of the Hitler Cabinet and its partisans in making campaign speeches.

Literary circles in Germany were amazed to learn on Feb. 16 that three of the most prominent members of the Prussian Academy of Art—Heinrich Mann, novelist and elder brother of Thomas Mann, Frau Käthe Kollwitz, painter of proletarian scenes, and Dr. Martin Wagner, architect—had been virtually expelled from that distinguished body under National Socialist pressure. Faced by an open threat from Dr. Bernhard Rust, newly

appointed Prussian Minister of Education, that he would dissolve the literary section of the Prussian Academy unless they were dismissed, Mann and Frau Kollwitz resigned voluntarily rather than impose on their colleagues the unpleasant alternatives of voting for their expulsion or standing by them and thereby making the considerable financial sacrifice which they would sustain by the loss of their official positions as members of the academy. Dr. Rust based his demand for the dismissal of Mann and Frau Kollwitz on the ground that they had recently signed a public petition appealing for a united front of the Social Democratic and Communist parties "that Germany should not sink into a state of barbarism."

A few days earlier Hermann Goering, Prussian Minister of Interior, dismissed twenty-four provincial Governors and police chiefs in various parts of Prussia and replaced them by members of the National Socialist party. Most of those dismissed were Social Democrats, the Nazi newspapers declaring that it was necessary to "cleanse the administration of Marxist elements." Later in the month he ordered the Prussian police to use firearms ruthlessly against Communist acts of terrorism, but to assist election campaign demonstrations of the government parties.

The Reichstag Building on Feb. 28 was nearly destroyed by fire. The great glass-ceilinged central portion, in which Parliamentary sessions are held, was burned out, but the valuable legislative library and other rooms forming the outer square of the building were saved by the efforts of the firemen. The loss was estimated at nearly \$1,500,000. It will be some months before it can be repaired for use. As it has been suggested that the new Reichstag may be adjourned for a long period, the problem of another meeting place would not appear to be important.

The fire was alleged to have been the work of Communists. The police

reported having seized a man who was escaping from the building just as the fire broke out and who, they declare, confessed that he is a Dutch Communist and admitted his guilt. His name was given as Van der Luebbe. Whether he had any German Communist accomplices was not at once established, though that he had was loudly asserted by the National Socialists and made the excuse for wholesale arrests of Communists and a search of their houses and buildings.

That the German Communists could be so stupid as to play directly into the hands of their opponents by such an act of vandalism must be a matter for wonder. Moreover, it is a well-known tenet of Moscow leaders that individual acts of terrorism are useless, the best principle being first to attain power and then apply terror of really wholesale proportions. It was suggested by some persons that the perpetrators of the outrage hoped that the fire would be attributed to the National Socialists and that the odium of it would fall on them on the eve of the Reichstag election. By others it was suggested that the purpose was similar to that behind the "Zinoviev letter," the publication of which played a large part in the overthrow of the first Labor government in Great Britain in 1924.

On the supposition that the fire was the work of Communists, the Hitler Government, through a decree signed by President von Hindenburg, issued a sweeping order suspending all constitutional provisions guaranteeing personal liberty, freedom of the press, secrecy of the mails and the right to hold meetings and form associations. It virtually approached a declaration of martial law, such as is issued only in time of war or revolution. It also authorized the government of the Reich to seize executive power in any German State whose government failed to take "the necessary measures for the restoration of law and order." All the Communist

papers throughout Germany and all Social Democratic papers throughout Prussia were suspended from Feb. 28 until after the elections on March 5. All suspected Communist places of meeting were closed and several hundred Communists were arrested and imprisoned, including nearly all the Reichstag members of the party.

NEW STANDSTILL AGREEMENT

The governors of the Bank for International Settlements at Basle on Feb. 12 declared that recent German official statements had calmed apprehensions of radical changes in Germany's credit policies and that the bank had therefore decided to renew the Reichsbank credit of \$86,000,000.

A few days later the prolonged negotiations of the representatives of foreign bankers with German debtors came to a successful close with the adoption of a new "standstill" agreement. This will run for one year from Feb. 28 and covers credits totaling about 3,700,000,000 marks (about \$880,600,000), of which it is estimated that 40 per cent is owed to banks in the United States. In its essential provisions the renewal follows the procedure laid down in the German credit agreement of 1932, except for a small lowering of the interest levels, in return for which the Germans agreed to a 5 per cent reduction of the credits. The lower interest rates are expected to make a saving for the debtors of from 30,000,000 to 50,000,000 marks (from about \$7,140,000 to about \$11,900,000), while the reduction of credits will limit transfers of foreign exchange to about 20,000,000 marks (about \$4,760,000) for the year.

DUTCH NAVAL MUTINY

Before dawn on Feb. 5 the native crew of 400 on the Dutch warship *De Zeven Provinciën* mutinied and seized the vessel in a port of Northern Sumatra, in the Dutch East Indies, while the captain and most of her Dutch officers were ashore. The nine remaining officers were handcuffed

at the point of guns, and the mutineers steamed away in the darkness on a defiant but short-lived cruise.

The mutineers had previously complained that their pay had been cut 17 per cent, while the pay of the Dutch seaman had been cut only 14 per cent. It had been thought that the discontent had been suppressed a few days earlier when forty-five of the ring-leaders had been arrested. The news of the mutiny revived charges that Communists had used the depression to stir up unrest in the Dutch East Indies, which had suffered severely from the general decline in world trade. The relatively high standard of living among the Dutch in their colonies had also contributed to a feeling of bitterness on the part of the natives toward their rulers, although the Dutch administration of the colonial dependencies is generally regarded as just, humane and efficient.

A squadron of cruisers and destroyers at once set out from other ports in pursuit of the mutineers, as it was feared that they might try to raid some of the ports. But the mutineers kept to the high seas, steaming eastward to the south of Sumatra, evidently undecided what to do. As their whereabouts was unknown it took several days for the pursuers to come up with the runaway vessel. Finally, after five days, the rebel crew of *De Zeven Provinciën* were discovered by Dutch seaplanes and pursuing ships, which signaled a demand for unconditional surrender. The mutineers replied: "Let us alone." A seaplane then dropped a 100-pound bomb on the deck, killing twenty-two persons and wounding a score of others.

Among the killed were three Dutchmen. In a few moments Dutch marines swarmed aboard, seized the remaining rebels, took possession of the runaway ship and the five-day mutiny came to an inglorious end.

In Holland the episode created some alarm lest Communists should make trouble among the seamen at the naval port of Helder in Northern Holland. Guards were doubled, all precautions taken, and several Communist leaders were arrested, but no outbreaks were attempted. With the return of the *De Zeven Provinciën* under her own steam and in charge of her lawful officers the trouble came to an end. Communism in Holland appears to be of rather a tame sort. There are two Communists in the Dutch Parliament—*Lou de Visser* and *David Wijnkoop*. The latter was recently discredited by Moscow. However, the "cell" system has gained some hold among the working classes, especially at the naval station of Helder, where seditious pamphlets and tracts have been smuggled into the barracks. As already noted, the man alleged to be implicated in the setting fire to the German Reichstag Building was reported to be a Dutch Communist by the name of *Van der Luebbe*.

The Dutch Cabinet was defeated by a vote of 51 to 38 in the lower house of the States General on Feb. 9 on a proposal to effect economies in the judicial and penal establishments. Queen *Wilhelmina* hurried home from her holiday in Switzerland, dissolved Parliament, and ordered new elections for a fresh Parliament which is scheduled to meet on May 9.

The Struggle for Power in Spain

By WILLIAM E. LINGELBACH

*Professor of European History, University of Pennsylvania;
Current History Associate*

THE Spanish Cortes was again in session during February after a recess of one month. Immediately the opposition to the Azaña Socialist régime manifested itself in a vigorous attack by Señor Lerroux, the leader of the Radical Republicans. As reported in *El Sol* on Feb. 5, he accused the government of sacrificing the interests of the rest of Spain to those of the industrial proletariat. It must be recognized, he said in substance, that there are two organizations of workers, but the Socialist party has by its legislation served the interests of one at the expense of the other. As a result the value of agricultural property and of all commercial enterprises has greatly decreased, industries are running at less than half capacity and the number of unemployed is increasing. These, in turn, are not adequately cared for, while a surplus of small farmers is being created by the agrarian measures.

The government's arbitrary policy of repression, especially against the press, Señor Lerroux further pointed out, has created a spirit of hostility and resentment throughout the nation. Furthermore, by accepting power from the hands of a group of parliamentary minorities, the Ministry has destroyed the constitutional prerogatives and guarantees. Distrust and open hostility have replaced the confidence once enjoyed by the republic. "If," Señor Lerroux concluded, "you have divorced yourself from the public conscience, * * * if you are unable to straighten out the ship, then you have only one obligation—to resign."

Premier Azaña defended his policies

with much spirit, and after a prolonged debate of three days the Cortes adjourned amid the threats of the Opposition groups that unless the Ministry resigned they would resort to obstructionist tactics. While the debate did not lead to a test vote, it was apparent throughout that the government's majority remained intact. This was again demonstrated on Feb. 24 when the Ministry was sustained by a vote of 173 against 130. Apparently Azaña's command of his parliamentary majority is secure. Whether this is true of the nation at large is doubtful. For the moment, at least, there is no disposition to raise the issue by dissolving the Cortes and holding Parliamentary elections at the time of the municipal elections in April.

Supporting the arguments of the Opposition, the Employers' Confederation has presented a memorial to the government complaining of the arbitrary changes and erratic social policy of the Minister of Labor, the difficulties of the mixed commissions in the settlement of labor disputes and the constant threat of strikes by workmen if decisions are not in their favor. In the Estremadura region, which extends from Madrid to the Portuguese border, the peasants, tired of waiting for the promised distribution of land, have been seizing it themselves. In many cases the seizure of the estates is carefully planned beforehand and connived at, if not openly assisted, by the local officials. For the most part, the Mayors of the towns are Socialists and in sympathy with the peasants and have therefore made very little effort to expel the

squatters despite the protest of the owners. In a petition to the government the Cattle Breeders' Association pointed out the destructive effect of the movement upon the cattle industry, the decrease in land values and the serious falling off in the payment of taxes.

Other phases of the government's policy used as targets by the Opposition were the Soviet oil and the American telephone monopolies. Deputy Eduardo Ortega y Gasset led the attack, declaring that other countries like France, Italy and Argentina had obtained more favorable contracts. Since the Soviet oil contract expires next year, and since those with the Rumanian Company and with the United States Petroleum Export Association were not renewed, the dispute is of considerable significance to petroleum interests in general. Indalecio Prieto, the Minister of Public Works, in particular was under constant fire during the debates. His improvement program for Madrid involving 800,000,000 pesetas (at par the peseta is worth 19.29 cents), was denounced as unnecessarily extravagant. "Soon," his critic declared, "Madrid will have to change its name to Prietrograd."

The trials for treason of the political exiles brought back from Villa Cisneros resulted in many of them being acquitted. At the same time, an order was issued warning those who had escaped to present themselves in Madrid by Feb. 24. Count Romanones made a desperate effort to retain his lands against the provisions of the expropriation measure that all persons who had the privilege of appearing in the presence of the King with head covered belonged in the grandee class whose lands were declared subject to confiscation by the laws of the republic. Count Romanones denied having worn his hat in the royal presence, but the Under-Secretary of the agrarian council furnished proof that in 1911, twenty-two years before, he

had done so, and the decision for confiscation was sustained, despite the Count's well-known liberalism and his courageous stand against the dictatorship of the old régime. He can still appeal to Azaña and the Ministry.

Labor unrest in Catalonia and the Asturias continued during the month. In the latter region some 27,000 miners went on strike on Feb. 6, claiming that nothing has been done by the republic to relieve their distress. The real difficulty seems to be caused by overproduction. In Madrid Communists stoned the German Embassy, shouting "Down with Hitler!" and later attacked the Peruvian Embassy.

Seville, it was announced on Feb. 11, has been selected as the European gateway for regular Zeppelin service between Europe and the two Americas. Beginning on May 5, Dr. Hugo Eckener will inaugurate a service of eighteen round trips annually with South American countries, another service with New York, and minor ones with Egypt, the Dutch East Indies and Australia. Barcelona has ordered resumption of work on its airport, twelve miles from the city, at a cost of 10,000,000 pesetas. Nevertheless, Spain has so far been backward in aviation. At present it has only one illuminated civil airport—the Tablada Field at Seville. The autogiro recently purchased by the Ministry of War is reported to be the only one in the country, although the inventor of this type of flying machine was a Spaniard, Juan de la Cierva.

ITALIAN ECONOMIC CHANGES

Italy's newly created Institute for Industrial Reconstruction began work early in February. It consists of two sections, one dealing with industrial financing and the other with the demobilization or liquidation of such industries as have no prospect of recovery. Through long-term loans, the institute expects to bring about a thorough economic and financial as well

as technical reorganization of Italian industrial enterprises. Within a week after its organization the institute put out a two-year 4½ per cent bond issue of approximately \$50,000,000 for the relief of industries in urgent need of support. Through the banking consortiums, the issue was underwritten before it was formally opened to the public. As in the case of the recent treasury bonds, also oversubscribed at home, a lottery feature was added providing for over \$1,000,000 in prizes. The ease with which the loan was taken up is evidence that once confidence is restored there is money available for business revival. The Institute for Industrial Reconstruction completes the program for the control and direction of Italian industry begun by the creation of the consortiums and of the Instituto Mobiliare, and the enactment of the law authorizing the State to prevent the opening of new industrial plants without its consent.

Despite scientific planning along these and other lines, Italy is suffering more and more from the continued world depression. Unemployment has again increased, reaching a high figure of 1,225,000 at the beginning of February. The greatest number of unemployed are found in the building trades and agriculture, which means a further increase of men out of work until the next seasonal upturn in these occupations. Since only about 300,000 receive unemployment insurance, the burden on charity is heavy. The steady decline of world business is also reacting on Italian financial conditions. The net profits of the Bank of Italy for 1932 showed a falling off from the previous year of about \$1,250,000. Nevertheless, the usual 10 per cent dividend was paid, since the position of the bank is essentially sound, there being 42.71 gold reserves against sight liabilities at the beginning of the year.

During the month a royal decree indicated that the government plans to push forward its great program of

public works with increased energy. About \$2,800,000 has been appropriated to supplement the funds voted by the provinces and the municipalities. In Rome a new building is to be erected by the side of the new Ministry of Corporations as headquarters for the Fascist party. Rome and Verona are outstanding examples of the recognition of the needs of thorough regional planning for metropolitan areas. Much-needed new arteries of traffic are being constructed, while old thoroughfares are being straightened and broadened in the effort to relieve congestion and adapt the cities to modern demands. Historic monuments and the old sections of the cities are, however, preserved as far as possible, while links are formed with surrounding regions to create larger metropolitan areas. Thus the beautiful hills of Verona are being connected with the city park and street system, just as the hills, and even the sea, come into the plan for a greater Rome with its rapidly increasing population. In these extensive programs of renovation and building, conflict arises constantly between the old and the new. The modern utility architecture imported from Holland and Germany is strikingly at variance with the classical atmosphere and traditions of Italian architecture. Fascism is still feeling its way toward a style of its own. According to its adherents, it must combine energy, driving force and the will to act with the spirit of the great epochs in Italian history.

Another feature of the public works program is the project for the electrification of the national railroads and the completion of the great system of automobile roads. The electrification plan is to extend over a period of twelve years; 60 per cent of the national railroads will then be electrified at an estimated cost of about \$231,000,000. The line connecting Milan with Reggio in the extreme south, via Bologna, Florence, Pisa, Rome and Naples, and that running

from Turin to Trieste and its hinterland, are part of the plan. Electrification carried out in the last decade is already saving 428,000 tons of coal imports.

The friction with France continues despite Henry de Jouvenel's appointment as French Ambassador to Italy. The trial of Professor Eydoux and his secretary, Mlle. Bonnefond, who were convicted on charges of espionage in connection with military secrets on the Yugoslav border, was specially featured in the Italian press at the moment of the French Ambassador's arrival in Rome. His first reception by the Duce was reported to have been cool and altogether formal. Particularly vigorous was the denunciation by the Fascist press of the protest lodged by Great Britain and France at Vienna against the shipment of arms from Italy to Austria. On its part, Italy is questioning the new alliance between Czechoslovakia, Rumania and Yugoslavia and the increased influence the more closely united Little Entente will secure for these powers and their ally, France, at Geneva. (See Professor Ogg's article on pages 111-114 of this magazine.) In the meantime, the celebration in February of the tenth anniversary of the founding of the Fascist militia was made the occasion for the display of much military enthusiasm. In response to the building of the French battle cruiser Dunkerque, Italy proposes to renovate four of her pre-war dreadnoughts, modernizing their armament and machinery.

Work on the remodeling of Castel

Gandolfo, the Pope's Summer residence, overlooking Lake Albano, fifteen miles from Rome, has been progressing rapidly. For two years more than a thousand workmen have been at work preparing the beautiful villa and grounds for occupancy during the coming Summer. In the meantime, on Feb. 15, Marconi personally supervised the installation of the first radiophone between the Vatican and Castel Gandolfo. It is the first wireless telephone based on the use of ultra-short waves. With the approval of the Pope, the inventor plans to make use of the new Vatican radio system for further experiments.

PORTUGUESE AFFAIRS

Further evidence of the working of the Portuguese dictatorship was given during February by the removal of General Vicente Treitas, former Prime Minister, from his post as President of the Municipal Chamber of Lisbon because of his recent criticism of the proposed Constitution that was to be voted upon in March.

A loan of 500,000,000 escudos (at par the escudo is worth 4.24 cents) at 5½ per cent has been announced by the municipality of Lisbon, and according to rumor the government plans to return to the gold standard soon. The news of a large influx of Winter tourists, not a few from England, for a residence of several months to mitigate somewhat the income tax payments at home, again draws attention, not so much to Portugal as a Winter resort as to the close relationship between the two countries.

The Union of the Little Entente

By FREDERIC A. OGG

*Professor of Political Science, University of Wisconsin;
Current History Associate*

FOREIGN MINISTERS Edward Benes of Czechoslovakia, Boske Yeftitch of Yugoslavia and Nicolas Titulescu of Rumania completed at Geneva on Feb. 15 the draft of a convention which, if ratified by the respective States, will, as announced in the official communiqué, transform the Little Entente into a permanent "unified international organization open eventually to other States on conditions to be settled in each specific case." For some time such action has been contemplated and was at last given special impetus, it is fair to assume, by the growing tension between Yugoslavia and Italy, by the open emergence of the latter power at the head of a revisionist bloc which would like to upset the peace treaties and by fresh anxieties stirred by the appointment of Adolf Hitler as Chancellor of Germany.

According to the announcement, the various conventions of 1921 and 1922, on which the Entente rests, will be renewed for an unlimited period and brought together in a single juridical instrument. As a directing organ of common policy, there will be an Entente "permanent council," consisting of the three Foreign Ministers (holding the Presidency in rotation), and assisted by a permanent secretariat, of which one section will function at Geneva, and an economic council charged with "progressive coordination" of the economic interests of the three States. The permanent council is to hold at least three meetings every year, including one at Geneva during the regular annual session of the League Assembly.

The plan calls for far-reaching

economic and financial cooperation, in such matters as preferential tariffs and collaboration of central banks. It is, however, most extraordinary in its political provisions which aim at transforming the loose-knit association into an international community having a distinct personality. Every political treaty of each of the three States, every unilateral act changing the existing political situation of one of the States in relation to an outside State and every economic agreement having important political bearings will, if the scheme is adopted, henceforth require unanimous consent of the permanent council of the Entente. It is even provided that treaties already existing between Entente States and outside States, shall, as far as possible, be progressively unified. Express recognition is given the general principles of international action embodied in the covenant of the League of Nations, the Pact of Paris, the Locarno pacts and other major international political instruments of the post-war period, by which, it is asserted, all common policy contemplated in the new arrangement ought to be guided.

The next meeting of the Little Entente is scheduled to take place at Prague in May and it is expected that by that time the project for closer and more permanent organization will have been ratified by the three States, the Yugoslav Skuptschina having already done so on March 1. One significant effect of the move, among others, will undoubtedly be to block Italy's recent efforts to detach Rumania from her Entente affiliations.

THE HIRTENBERG ARMS AFFAIR

The "Hirtenberg arms affair"—involving the alleged transshipment into Hungary of rifles and machine guns, supposedly of Italian origin, from the Hirtenberg munitions factory in Austria—continued during February to produce serious international repercussions. On Feb. 8 Foreign Minister Benes of Czechoslovakia reported to the British Government that the shipment was more than three times as large as originally believed. As spokesman for the Little Entente, he demanded an immediate investigation by the League of Nations or a full inquiry by the British and French Governments. Belgrade and other newspapers joined in the demand. Hungary's insistence that she knew nothing about the affair, and Austria's explanation that she allowed the transaction to take place in order that her unemployed workmen might have the benefit of repairing the guns before they were sent on from Hirtenberg, naturally failed to be accepted as satisfactory.

Great Britain and France followed up the matter by making pointed inquiry in Vienna, explaining that their object was to save Austria from being haled before the League by the Little Entente. This awakened great indignation not only in Vienna but in Rome, Budapest and Berlin. The first impulse in the Austrian capital was to make a sharp written reply, and a document of such character was actually drafted by Chancellor Dollfuss. After interviews, however, between representatives of the government and the British and French Ministers, the Cabinet, supported by the principal committee of Parliament, decided that it would be more expedient to meet the British and French inquiries in a spirit of conciliation, particularly since to do otherwise would undoubtedly jeopardize the French loan, upon which Austrian reconstruction depends. The upshot was that the entire affair was discussed amicably,

the Chancellor promising that those portions of the shipment still held at Hirtenberg would be returned to Italy forthwith. Meanwhile, both Italy and Austria had denied that the arms shipments were the result of any secret agreement between the two nations. In retaliation for the action of the Little Entente, Italy published in *Il Giornale d'Italia* on Feb. 25 what purported to be clauses of secret treaties which provide, under certain conditions, for the occupation of Hungary by the forces of the Little Entente. As a sequel to the episode, it was reported on Feb. 23 that Egon Seefehlner, general director of the Austrian State Railways, had been suspended from office for attempting to bribe the railwaymen's union to smuggle the guns across the Hungarian border over a branch line.

Although Foreign Minister Kanya of Hungary was asserting at this same time that the affair was entirely at an end, there were plenty of indications that it was not to reach such an easy conclusion. The States of the Little Entente remained keenly dissatisfied, believing that Austria is systematically playing an active part in arming their enemies. Charges that, with the connivance of the Austrian Fascist Heimwehr army, Hungary is planning war, persisted in the French press. Apparently the affair might yet receive a general airing at Geneva.

Meanwhile, in a statement to Parliament on Feb. 23, Premier Gömbös of Hungary discounted recent alarming rumors of war in Southeastern Europe. Hungary, he declared, is not tied to Italy or committed in any direction. She desires revision of the peace treaties, but only by peaceful means. She believes in economic co-operation in the Danube basin, which indeed cannot exist without her co-operation. The new Little Entente pact, he asserted, being mainly economic, was not a cause for alarm.

By the death of Count Albert Apponyi at Geneva on Feb. 7, Hungary

lost her "grand old man" and Europe one of its most colorful and influential public figures. Though 86 years of age, and much enfeebled, the Count up to the end headed the Hungarian delegation at the Disarmament Conference. The funeral ceremony at Budapest on Feb. 14 is described as the most imposing held in that city since the burial of Louis Kossuth forty years ago.

THE POLISH PRESIDENCY

Poland is now approaching a change of considerable moment. President Moscicki's term of office expires on May 31, and, desiring to return to his laboratory, which interests him more than statecraft, he will not, it is understood, be a candidate for re-election. In canvassing the names of possible successors the press has suggested former Foreign Minister Zaleski, M. Raczkiewicz, present Marshal (Speaker) of the Senate; M. Dmowski, leader of the "Greater Poland" party, and, of course, Marshal Pilsudski. The Marshal would be assured of election if he cared to be a candidate. But he refused in 1926—when M. Moscicki was chosen—and, though the office has since been invested with somewhat increased power and importance, the reasons for his unwillingness then still in the main hold good.

Sentiment has turned to the eminent pianist and former Premier, Ignace Jan Paderewski, as the one man certain to win general support if he could be induced to allow his name to be used. Apprehensions that, if Hitler should remain German Chancellor, relations with that country would become even more strained than at present, gave fresh impetus to the suggestion. When questioned on Feb. 8 at Providence, R. I.—where he had gone for a concert—the musician-statesman, through his secretary, would say only that the rumor of his candidacy was "not news." Some elements of the Opposition have indicated their intention to take no part in the elec-

tion, on the ground that the Parliament which will make the choice was chosen under government coercion and does not represent the nation's will.

The Polish delegation to the Disarmament Conference at Geneva caused a sensation on Feb. 6 by opposing the French security plan as at present impracticable, and by urging, in support of a proposal by the American Norman H. Davis, that the conclusions of the conference thus far reached be put into treaty form, leaving the French, and presumably also the German, demand for security to be considered later.

MARTIAL LAW IN RUMANIA

Martial law was proclaimed in certain parts of Rumania early in February as a result of labor troubles at Bucharest, in the Prahova Valley and in the Ploesti oil district. Rumor spread that revolution was imminent and that King Carol was likely to lose his throne. Undoubtedly conditions were bad, and the Communists continued diligently to exploit them. The disorders, however, were of purely economic origin, and the government's decisive action brought them promptly to an end. Indeed, the King, having stopped toying with dictatorial ideas, has of late received the full support of the Vaida-Voevod Cabinet and is considered in a stronger position than at any time since the first few months following his return from exile. To be sure, Dr. Maniu, the National Peasant leader, has quarreled with him, and of late has been living abroad. This difference, however, is of a personal, rather than a party, character, springing mainly from Dr. Maniu's dislike of some of the King's friends and favorites. As matters stand, the throne is considered decidedly safer than that of King Alexander of Yugoslavia.

A world oil conference, which met at London on Feb. 20, had as one of its chief objects an agreement on the price and amount of oil to be sold by Rumanian interests in the export

markets for the three months beginning April 1, when the existing agreement with the Rumanians will expire.

YUGOSLAV RELIGIOUS CONFLICT

Recent events in Yugoslavia have brought the religious aspect of the conflict of nationalities once more to the fore. Most of the 560,000 Roman Catholics living in the kingdom are Slovenes or Croats, who thus differ from the Serbs not only in politics but in religion. On Jan. 8 the Catholic Bishops of the country caused to be read in every Catholic church a pastoral letter not only criticizing agitation carried on by the Serb "sokols" (gymnastic societies) with a view to bringing about expulsion of the Jesuits from the land but vigorously attack-

ing the dictatorial political régime at Belgrade. Although a Serb Deputy's bill proposing to separate church and State, confiscate ecclesiastical property and make civil marriage compulsory was denied support by the government on the ground that it was unconstitutional, Minister of Justice Maximovitch was reported to have assured the financial committee of Parliament that no State revenue would be paid over to the Catholic Church in Yugoslavia until further notice. A bill for the expulsion of all Jesuits from Serbia has been placed before Parliament by sixty-four members. Press attacks on the Catholic Church and clergy called forth a protest from the Papal Nuncio in Belgrade.

Scandinavia Fights for Trade

By SIDNEY HERTZBERG

THE expiration of the Swedish-German trade treaty on Feb. 15 and the consequent raising of the tariff on agricultural imports into Germany have completely upset the comparative placidity of Scandinavian commercial life and have created a situation which has the makings of a first-class tariff war. While Scandinavian trade conditions were considerably unsettled by the restrictions attendant upon the Ottawa agreements, it was the breakdown of the Swedish-German negotiations that completed the disruption. Of course the situation may be altered at any time with the changing political scene in Germany. But the recent Reich Cabinets—those that have followed Dr. Bruening's—will not be forgotten easily by the Scandinavian countries for at least one definite accomplishment—they have succeeded in antagonizing these friendly States so completely that

they could hardly have done better by design.

The German tariff increases, which were not unexpected, approximately doubled the duty on live stock, meat and lard. In Denmark, where the exporters had enjoyed a profitable German market because of the most-favored-nation clause in the expired treaty, this news was greeted with intense anxiety. It practically meant a complete cessation of trade with Germany involving an annual loss to Danish farmers of from \$4,000,000 to \$5,000,000. The expected expiration of the German-Yugoslav trade treaty on March 7 will result in further inroads into Denmark's agricultural exports.

Immediately a demand was made for retaliation even to the extent of curtailing imports from Germany by twice the figure by which Danish exports to Germany were reduced. *Dagens Nyheder*, a leading Copenhagen

newspaper, printed a comment which was typical of Danish sentiment: "The policy now pursued by the German Reich will to an increasing degree sever relations with Scandinavia." The only immediate move by the Danish Government was a warning by the Foreign Exchange Office to companies importing German goods that they must prepare for curtailment of mark licenses sufficiently drastic to maintain the Danish-German trade balance on its former level.

In Norway the Foreign Minister officially announced on Feb. 14 that the imposition of tariffs on Norwegian goods that had entered Germany duty free "must force the Norwegian Government to take steps to protect its export industries."

Sweden, with more than 500,000 tons of its shipping lying idle, determined to increase the tariff on luxuries from 10 to 15 per cent. In 1931 Germany sold nearly \$2,500,000 worth of such products to Sweden. *Svenska Dagbladet*, a Conservative Stockholm newspaper, blaming Germany for the failure of the negotiations and for "dumping" goods on the Swedish market, asked, "Does Germany want commercial warfare?" The *Social-Demokraten*, official organ of the government, said: "Germany should understand that breaking off trade negotiations calls forth not only surprise but also the possibility of bitter feeling."

The ill will between Scandinavia and Germany was further aggravated by Hermann Wilhelm Goering, German National Socialist Minister without portfolio, when, early in February, he sent a telegram to the editor of the *Göteborgs Handels-och Sjöfarts-Tidning*, an influential Swedish newspaper, protesting against a disparaging reference to Chancellor Hitler. This action was indignantly resented throughout Scandinavia despite Herr Goering's explanation that he had not expected his protest would be printed.

These events have caused Scandinavian merchants to look more longingly toward Great Britain for the satisfaction of their desires. But the outlook in this direction is by no means clear. Early in February, after an interval of six weeks, conferences were resumed between Great Britain and Sweden, Norway and Denmark. (Conversations with Finland were begun on Feb. 13.) In carrying on these negotiations, a novel technique is being employed. Representatives of the industries most interested are given a free hand to discuss their problems, and the various governments, for the most part, merely give their approval to the agreements thus reached. The only result that can be pointed to so far is the understanding, as yet not final, whereby the three countries are to buy more British coal.

For two reasons the agreements are not expected to be as comprehensive as was hoped. First, the retention of the most-favored-nation principle makes tariff reductions inadvisable in many instances. It is pointed out, for example, that the lowering of textile duties in Scandinavia would result in an inrush of cheap lines from Central Europe which would seriously affect the British exports. Great Britain has indicated no disapproval of the most-favored-nation principle and certainly the Scandinavian countries are not anxious to abandon it. But there is a growing feeling that the negotiations would be more fruitful if this principle were set aside.

The second cause of pessimism is the limitation of the negotiations to Great Britain. It is felt that a great deal more might be achieved if some of the dominions were included. It is suggested that if Denmark could make an arrangement with the Canadian wheat growers, its shipments of bacon to the British market might be facilitated. Similarly, Sweden and Canada might reach an understanding on the sale of newsprint.

Meantime, discussion continues on

the possibility of some kind of Scandinavian economic union. The London *Economist* makes the suggestion that there should be "the conclusion between Britain and Scandinavia of a regional agreement—embodying a definite and clear-cut low-tariff basis of trade between the parties—which would be open to adhesion on similar terms by any other country desirous of joining. Such a bloc would be fairly entitled to modify the most-favored-nation principle to the extent of limiting the grant of this special régime to countries which accepted the obligation to impose the same terms on the trade of all members of the group."

NEW NORWEGIAN CABINET

The conservative Coalition Cabinet of Jans F. Hundseid, chairman of the

Agrarian party, resigned on Feb. 25 after the Labor and Liberal parties, which command a majority in the Storting, combined in a vote of non-confidence. Johan Ludwig Mowinckel, leader of the Radical party, a group with mildly liberal tendencies, then formed a ministry composed exclusively of members of his own party. He assumed the position of Minister of Foreign Affairs as well as that of Premier. The new Cabinet took office on March 3. Its program includes the dropping of all military service this Summer, a reduction in the installments on the national debt and a 10 per cent increase in the income tax in order to avoid the sales tax which was the direct cause of Hundseid's defeat. The Labor party is expected to support this program.

The Spur to Soviet Policy

By EDGAR S. FURNISS

Dean of the Graduate School, Yale University;
Current History Associate

COMMUNISM'S peculiar conception of international development has played an important part in shaping Soviet policy, both domestic and foreign. The Communist leaders see a world composed of imperialistic nations whose conflicting ambitions make war among themselves inevitable, and whose capitalist institutions drive them steadily toward an attack upon the Soviet Union. It is this outlook on world affairs which causes the Kremlin to urge forward the Soviet program of social reconstruction at so headlong a pace.

The principle of planned economy does not of itself imply any specific rate of social change. The Soviet economic program might have demanded much more leisurely progress than that laid down in the control figures.

A slower pace would have obviated most of the problems which now confront the Communist leaders, for these difficulties have been due to hectic speed rather than to any fundamental flaw in the program. It is this factor in the situation which is responsible for the partial failure of the last Five-Year Plan in the quantities of goods produced, in the qualities of the product and in production costs. Moreover, it is the rate of change rather than the ultimate social purposes of the program which has demanded of the Russian people sacrifices beyond their capacity of endurance, thus straining to the utmost the political control of the nation's rulers. The attempt to vault the nation from its former backward position to the front rank among industrial countries and to revolution-

ize the medieval technique of Russian agriculture, all in the space of a few years, has required an excessive deflection of income from consumption to investment, a prolonged and unremitting strain upon labor, and an abrupt alteration of settled habits and ways of life. The reaction of the people to these conditions is indicated by the increasingly severe measures which the dictators have been compelled to adopt in order to retain their control.

The Soviet leaders have not been oblivious of the hazards involved in their decision to force the pace of socialization. But as they conceive the situation they are working feverishly against time in a race with approaching and inevitable war. Any extensive war would upset the Communist program even if Russia were not a party to it; war involving the Soviet Union would destroy or indefinitely postpone the hope of establishing a Socialist commonwealth, provided in either case that the economic development of the country had not already been carried to the point of national self-sufficiency, and the basic institutions had not been so completely socialized as to suffer no danger of relapse into capitalism. The Five-Year Plan was a desperate effort to establish socialism in the habits of the Russian people and to free the country from dependence on capitalist enemies during a brief and precarious period of peace.

The effort has proved impossible of complete fulfillment within the time limits set for it. This is now acknowledged by the rulers of the country. Statistics of production now available for 1932 give a fairly precise measure of the miscarriage of Soviet plans. Coal output, scheduled at 90,000,000 tons, was actually 62,300,000 tons; pig iron production was 6,200,000 tons instead of 9,000,000 tons as planned; the output of rolled iron totaled 4,300,000 tons as against the expected 6,700,000; 22,200,000

tons of oil were produced against a schedule of 27,000,000 tons; electric energy was produced in the ratio of 13.5 to 17 as compared with the plan; land under cultivation was 18,532,500 acres short of expectations; rail traffic fell 22 per cent below schedule. All these figures show substantial progress, but at a rate below that at which the Communists were attempting to "whip and drive the country"—the phrase is Stalin's—under the impulse of their own gloomy forebodings of international war. The plans for the current year reflect the Soviet conviction that the pace has been too rapid; in all the categories of industry mentioned above, with one exception, the objectives for 1933 are set below those of 1932.

The same outlook in international affairs has been and is still the controlling factor in Soviet foreign policy. The Union has never placed any reliance in the post-war arrangements to preserve peace. The League of Nations is openly derided by the Soviet official press as a hypocritical pretense. Russia's relations with the League have been guided chiefly by the purpose of advancing her own prestige among nations when admitted to the conferences at Geneva under the aegis of the League. She is a party to the Kellogg treaty and a propagator of similar treaties with her neighbors; but, believing as she does that war is an inevitable outcome of capitalistic institutions, she has no real faith in the peace pacts of capitalistic nations. Her interest in these arrangements is to fend off war as long as possible, thus gaining time for the completion of her own social reconstruction.

The same interest governs Russia's relations with individual States. She has entered into no alliances which will draw her into warfare between two other powers, but has endeavored to establish relations of neutrality with all parties to a future conflict—with both China and Japan in the Far East; with France and Po-

land and with Germany and Italy in Europe. To unite with other nations against Japan in the Manchurian dispute is so much at variance with the policy of the Soviet Union that one can safely predict rejection of the League's invitation to do so. In harmony with this policy the Soviet Union's strategy of the past decade in Europe has been that of postponing war by lending influence where it was needed to checkmate the more powerful or aggressive bloc of States. Convinced of the inevitability of war, the needs of the present stage of communistic development make the Soviet Union nevertheless an active agent of peace.

Commissar Litvinov's speech at Geneva is the latest public pronouncement of the Soviet attitude in these matters. The speech, as analyzed and elaborated by *Izvestia* on Feb. 8, is a declaration that the Soviet Union will not take sides in any struggle, but will continue to press for the abolition of war and for complete disarmament. "But Litvinov's declaration not only is aimed against intervention in a country where there is a revolution, but in the name of the Union undertakes the obligation not to intervene in a country where there is a counter-revolution"—assurance to Germany, Poland and Rumania that the Soviet Government will not support by force their Communist factions in the event of class war. In the same statement Russia gives an unequivocal answer to those nations which have hoped for her support in an attack upon the frontier arrangements of the Versailles treaty. These arrangements are undermined in that they "do not in many cases correspond to national interests," but the Soviet Union insists that "the changes desired must be produced by agreement, not by force."

The rapid expansion of Russia's military forces during this period, when she has been working ostensibly to promote peace and disarmament,

has seemed to many people an evidence of hypocrisy. Within the past five years the Red Army has not only increased enormously in size but has been so completely transformed in equipment as to become one of the most powerful modern war machines. The obligation of universal military service, applied through a selective system which sifts out the best material for active service, gives the Soviet Union a partially trained citizenry—some 900,000 additional recruits each year—and a highly trained standing army of some 600,000 soldiers, of whom 59 per cent are members either of the Communist party or of the Communist League of Youth. The budget for 1933 provides for a further increase in military expenditure which will raise the total annual cost of the Soviet war forces to 1,450,000,000 rubles (nominally \$725,000,000). The Soviet leaders are not disturbed by this apparent contradiction between their pacific professions and these warlike activities; indeed, both are quite in harmony with their view of Russia's needs in a world trembling on the brink of war.

Feb. 23, the day on which the Soviet Union celebrated the fifteenth anniversary of the birth of the Red Army, was devoted to impressing upon the Russian people the Communists' belief that their fatherland stands in constant danger of attack from capitalist enemies under the inherent impulses of their social system. Statements by Joseph Stalin, by War Commissar Voroshilov, by the Central Committee of the Communist party, by the editors of all the principal newspapers, stressed the point that the Red Army will be used only for purposes of defense, though asserting that imperialist attack will come. From this point of view, one may admit the logical consistency of Communist doctrine and Soviet practice, and yet find other motives for the war spirit fomented by the nation's rulers. Such an exacting program of sacrifice as

that to which the Kremlin is committed calls for a display of popular zeal and devotion rarely exhibited by any people save under stress of war. Communism is theoretically an international movement scornful of the bourgeois sentiments of nationalism and patriotism. The spectre of a vicious enemy encircling the proletarian republic and plotting its destruction is a useful substitute for these discarded sentiments.

The event of chief importance in the current international situation of Europe, Hitler's rise to power in Germany, has not been wholly unwelcome to the Soviet authorities. The Russian press has taken a very calm view of the matter, despite the Nazis' belligerent attitude toward German communism. Violent attack upon the radical movement of Germany has been expected from the Hitler government, and has occurred; but it is believed that this will serve only to strengthen and consolidate the power of communism and at the same time emphasize its international affiliations. The Kremlin, however, has hastened to warn German Communists not to expect any overt assistance from the Soviet Union.

Nevertheless, the Communist International published in *Pravda* on March 6 a manifesto calling for a "united front" of workers' parties throughout the world. Although the manifesto was issued on Jan. 22, its publication immediately after the German elections was regarded as a definite reply to the Nazi policy of provocation and repression. The manifesto instructed Communist parties everywhere to arrange a joint program of action with the Second International and labor organizations for combined staff and field work. Meanwhile, as a result of Nazi policy and Hitler's speech against the Soviet Union, the spirit of mutual confidence and economic cooperation between Germany and the U. S. S. R. seemed to have been destroyed. An editorial in *Izvestia* ridiculed Hitler's

lack of program and his "barrel-organ anti-bolshevism."

Aside from its bearing on the Communist movement, the overturn of the German Government has probably strengthened Russia's position in Europe. The alarm of France and Poland, both of whom have been traditional enemies of the Soviet Union, has caused them to seek more friendly relations with Russia, thus increasing the latter's strategic importance with regard to the European balance of power. Russia's promise that she would not be party to any attempt forcibly to revise existing frontiers has cleared the way for a more cordial understanding with France and Poland; just as the assurance of non-intervention within Germany has permitted the continuance of friendly relations with the new government of that country. From all these States the Soviet Union desires trade and credit concessions. Developments which increase her importance to all of them are obviously in line with her own immediate interest.

In domestic affairs all the energies of the Soviet Government are concentrated upon the struggle to save the collective farm system from collapse and to put an end to the food shortage, problems which are also the result of the forced pace of progress. The coercive measures aimed at the recalcitrant peasantry are being applied with vigor (see March CURRENT HISTORY, pages 757-761). In South Russia and North Caucasus are wide areas within which special commissions are operating with dictatorial powers to crush out all opposition on the part of individuals or groups of peasants. These areas, though among the most fertile of the Soviet Union, were notoriously slack in fulfilling their grain requisitions last Fall and now again are behind in their delivery of seed grain. The Communist leaders are prone to attribute such failure to the influence of "counter-revolutionary elements" and, deter-

mined to obliterate such opposition once for all, have set about the business with great thoroughness, imprisoning, executing or evicting individuals and, in certain cases, transporting whole populations to distant parts of the country.

These violent methods, however, are only part of the program. Simultaneously a comprehensive campaign has been launched to improve the organization and the operations of the entire collective farm structure, and to increase the area of land under cultivation. A moderate expansion of the crop area is a phase of the planned economy of the year. Quite distinct, however, is an irrigation project in the Volga region which is intended to reclaim an area of 10,000,000 acres and to increase the output of wheat by upward of 100,000,000 bushels. This is obviously aimed at the future needs of Russia's rapidly expanding population. The immediate problem of increasing the efficiency of existing agrarian enterprises is under attack from many different sides. The agricultural machinery industry, especially the repair stations in the rural regions, has been placed on a special footing of priority under new directors with unlimited powers to speed up production and repair. The Communist party, the League of Youth and divisions of the Red Army have been mobilized to supervise the Spring planting. Selecting the North Caucasus for special treatment, the Kremlin has sent into that area "shock brigades" of 50,000 Communists, fully supplied with grain, machinery and other materials, to put through a program of planting and cultivation which will serve as an example to the rest of the country. Other measures include the creation of a special committee of the Council of People's Com-

missars to act as a board of strategy during the food crisis and to coordinate all the agrarian activities of the entire country during the coming season.

Foreign experts, particularly the American agriculturists who have been working in various parts of the country, have been mobilized under the leadership of George MacDowell, a former Kansas farmer, to assist the government with plans for the improvement of backward regions. Mr. MacDowell's new task will be to take over and operate as a single farm, with the aid of other American experts, 60,000 acres of land in the Kuban region, where the collective system has broken down.

Recently the government convened at Moscow the first peasant congress held since the revolution. The 1,500 delegates who assembled at the opening of the congress on Feb. 15 represented all parts of the widespread territories of the Soviet Union—the Ukraine, the Caucasus, Uzbek, Siberia, Russia proper. They were received and addressed by the highest officials of the State and party, including Joseph Stalin, War Commissar Voroshilov and Commissar of Agriculture Yekovlev. The purpose of the meeting was not so much educational as evangelistic. The idea was that the delegates, after being filled with patriotic zeal, would return to their districts as active agents of the Kremlin's agrarian program. The goal of all these efforts is to remove from the Soviet Union forever all danger of food shortage. If the undertaking is successful it will have far-reaching effects in the direction of freeing the Communist leaders from dependence upon an apathetic peasantry and releasing energy for the furtherance of the industrial program.

Arab Non-Cooperation in Palestine

By ROBERT L. BAKER

THE difficulties facing the British mandatory authorities in Palestine seem never to end. No sooner is one thorny question settled than another springs up. The latest is the announcement made on Feb. 26 by the Arab Executive that its newly adopted policy of non-cooperation with the British authorities would take the form of refusal to pay taxes and a boycott of British goods. The Arab press in Jerusalem hailed the announcement as marking a turning point in the Arab attitude toward Great Britain. It is still too early to know whether the Arab Executive has made certain of Arab popular support before making this bold and definitely provocative decision. If it has not done so and the policy of non-cooperation fails, it runs the danger of losing prestige among the Arab community. If, on the other hand, the policy of the Arab Executive does secure wide and determined support, trouble is bound to follow. The Palestine Government, thus confronted with a definite challenge to its authority and power, may have to use the greatest judgment and possibly decisiveness of action to prevent serious disorder.

This development followed immediately upon the refusal of Sir Arthur Wauchope, the High Commissioner, to forbid the sale of Arab lands to Jews or to place further restrictions on Jewish immigration. In reply to the request for such measures made by a deputation from the Arab Executive on Feb. 25, he declared that he was working for the good of Palestine as a whole and that he did not feel justified by the terms of the mandate in forbidding the general sale of land or of further limiting immigra-

tion so long as the country was able to absorb newcomers. He did promise, however, the carrying out of existing ordinances protecting the rights of peasants whose landlords disposed of the lands which they cultivated. Dissatisfied with the High Commissioner's statement, the Arab Executive announced that it would appeal to the British Government and to the League of Nations.

THE ANGLO-PERSIAN DISPUTE

As a result of the efforts of Edward Benes, the Czechoslovak Foreign Minister, who was appointed by the League Council as chief mediator between Great Britain and Persia in their dispute over Persia's cancellation of the Anglo-Persian Oil Company's concession, a provisional agreement was reached at Geneva on Feb. 2. According to this arrangement, the disputants agreed to suspend the proceedings before the League Council until the May session or later. Meanwhile the Anglo-Persian Oil Company is to enter into direct negotiations with the Persian Government for a new concession. But the respective legal points of view of both parties were entirely reserved. The result is, of course, almost a complete victory for Persia. Throughout the dispute she had insisted that the company should negotiate directly with the Teheran Government.

TURKISH ECONOMIC PROGRESS

Turkey continues to be one of the few comparatively bright spots in the dreary expanses of the world-wide depression. The intelligent fiscal policy of the Turkish Government has been

largely responsible for the good condition of the country and also for the widespread confidence in its ability to cope with the crisis. For a time it seemed that the public-works program would have to be curtailed because of diminished revenues, but for a number of reasons the government has been encouraged to proceed with the program by means of a voluntary internal loan, the first to be floated in Turkey. It is to be for 12,000,000 Turkish pounds and is to be devoted to building a fifty-mile branch railroad to link the Argana copper mines in Central Anatolia with the new railway system debouching at the port of Mersina. The bonds are to bear 7 per cent interest, will be tax-free and will be redeemable in twenty years. These mines, which have not been worked for a number of years, were selected by the government as the most immediately promising of all the mineral deposits discovered in the country. The loan should be subscribed without difficulty because opportunities for capital investment by the population have been few heretofore, though deposits in Turkish and foreign banks have risen from about 5,000,000 Turkish pounds in 1925 to about 40,000,000 pounds at the beginning of 1933. The government is also negotiating with certain foreign groups for the construction of a railroad from Sivas to Erzeroum in order to provide the northeastern provinces with outlets to the sea at Samsoun and Istanbul.

This line, like others recently built, also will be of great strategic value to Turkey, but the economic value of these railroads is proved by the fact that all of them showed profits last year.

The financial outlook of the Turkish Government has been considerably brightened by the favorable conclusion of negotiations to reduce Turkey's share of the old Ottoman Empire debt. Though ratifications are yet to be exchanged, an agreement

has been reached by which the total obligation has been reduced from 107,500,000 Turkish pounds gold to 8,000,000 pounds and the increasing annuity which began at 1,500,000 pounds gold to a fixed sum of 670,000 pounds gold. The latter sum is believed to be well within Turkey's capacity to pay. The first instalment is payable in June, 1933. Under the original settlement the annuities were so heavy that the country's balance of payments was kept permanently unfavorable. The recent agreement has, in fact, removed the last external obstacle to Turkey's economic progress.

In accordance with Mustapha Kemal's desire to extend the use of the Turkish language, he urged last year that the Turkish version of the Koran be used in religious services in place of the traditional Arabic. But no official orders to that effect were issued, and the suggested reform, finding little favor among the mass of the people, was generally abandoned. In Brusa, however, on Feb. 5, the muezzin of the great Ulu mosque called the faithful to prayer in Turkish for the first time and was immediately attacked by orthodox worshippers. Government officials who attempted to rescue him were also assaulted by the crowd. In quelling the disturbance the police arrested more than sixty rioters including thirty priests and muezzins. The offenders will probably be tried by a military court. It will be remembered that 28 Turks were hanged in 1931 for revolting against President Kemal's decree outlawing the fez as a headgear. The Ghazi and Premier Ismet Pasha proceeded immediately to Brusa to investigate the trouble. On Feb. 7, in Istanbul, Mustapha Kemal ordered that only the Turkish version of the Koran was to be used from that date in the mosques of that city. It was expected that the government would not long delay the extension of the order to all parts of the country, and another of Turkey's

age-old customs will have fallen before the Ghazi's determination to make of Turkey a modern national State.

NATIONALIST ACTIVITY IN EGYPT

The physical breakdown of Premier Sidky Pasha late in January has left the Popular-Unionist government without a real leader, and there appears to be no obvious successor to him in the coalition, should he find it necessary to retire permanently from public life. The Wafd (Nationalist) party has seized the opportunity offered by Sidky's illness to resume its rôle of representative of the nation and to put itself forward as potential successor to the present government.

Mustapha Nahas Pasha, former Wafd Premier, on Feb. 7 presented a petition to King Fuad. It was understood in Cairo that the petition urged the dismissal of the government. On the same day the Wafd party sent communications to the representatives of the foreign powers refusing in the name of the Egyptian people to pay the foreign debt in gold. The Mixed Court in Cairo has ruled that coupons on the foreign debt must be redeemed in gold. The Egyptian press has been aroused to a high state of resentment by the ruling, contending that Egypt was not responsible for the abandonment of the gold standard in that country but is now condemned to pay a heavy fine because of a literal and inequitable interpretation of the debt contracts. There is really no difference of opinion on this point between the present government and the Wafd party. The government in its new budget made no provision for payment in gold, maintaining that payment in paper is legal. But the statement of the Wafd, made in behalf of the Egyptian people, has been described as a shrewd tactical move.

The moderate branch of the Wafd

lost its most influential leader on Feb. 3, in the death of Barakat Pasha, a nephew of Zaghlul Pasha, founder of the party.

The idea that the Suez Canal is completely controlled by Great Britain is fairly common. Yet the Suez Canal Company is administered from Paris, and a recent incident demonstrates that British shippers who use the canal are by no means given preferential treatment. Last month two strong British organizations, the Liverpool Steamship Company Association and the London Chamber of Shipping, asked for a reduction on British tolls, claiming that the devaluation of the pound made the canal charges relatively higher for British ships than for those of other flags. In its reply on Feb. 11 the *Compagnie Universelle du Canal Maritime de Suez*, declared that the devaluation of the pound was not its fault but that of the British Government and suggested that the ultimate remedy for the present bad situation of British shipping would be the rise and stabilization of the pound. The company also suggested that as the British Government is a large stockholder it might spend its dividends, paid in francs, to subsidize British shipping companies using the canal. It was ruled, therefore, that the present rates are to remain in force until the end of the year. Financial circles in Paris were somewhat surprised by the sharp tone of the refusal and by the reasons given.

Although Great Britain has long maintained a protectorate over the canal, and although the British Government itself owns seven-sixteenths of the shares of the Suez Canal Company, the board of directors is predominantly French. The directors number one Dutchman, ten Britons and twenty-one Frenchmen. Only three of the ten British directors represent the British Government, the other seven being appointed by British shipping interests.

Japan Overruns Jehol

By TYLER DENNETT

*Professor of International Relations, Princeton University;
Current History Associate*

THE initial Japanese drive into Jehol early in January came to an early pause with Japanese troops in possession of several eastern gateways—Shanhaikwan and the port of Chinwangtao. On Feb. 9 the Committee of Nineteen at Geneva demanded a clean-cut statement from Japan of her attitude toward Jehol. The reply was a renewed assertion that Jehol, as a part of Manchuria, belongs to Manchukuo, and this was followed by an ultimatum, in the name of Manchukuo, presented on Feb. 18 to Marshal Chang Hsiao-liang. The young marshal, accompanied by Dr. T. V. Soong and other officials, flew to Chengteh, capital of Jehol, for a conference—the first time Chinese Government leaders had ventured into the danger zone. "On behalf of the Central Government, I pledge you that we will never give up Jehol. * * * There will be no terms of surrender," promised Dr. Soong. Governor Tang Yu-lin vowed he would fight Japan to death. But the Japanese Foreign Office replied laconically: "The Kwangtung Army has a way of timing its operations to coincide with League of Nations meetings." The drive started on Feb. 21, as predicted.

The first military operations were at Chaoyangssu, just inside the Jehol border, midway along the eastern boundary. The Chinese, according to Tokyo, took the offensive. At the same time Japan ordered 33,000 Chinese troops to evacuate Kailu at the northeast corner of Jehol. On the same day Dr. Soong announced that \$4,000,000 in "patriotic bonds" had already been subscribed by the north-

ern bankers to finance the Chinese opposition. Marshal Chang's troops in Jehol were estimated by the Japanese at 100,000, exclusive of such forces as were under the command of Governor Tang Yu-lin.

The Japanese advanced in four columns westward from Suichung, Chaoyang, Suitung and Kailu. The Chinese defenders of the province had had ample warning of the forthcoming invasion. The mountainous terrain offered splendid opportunities for an intelligently planned defense, and apart from planes the Chinese appeared to be well equipped to put up a stubborn resistance. Indeed, the world expected that some of the determination and heroism shown by the Chinese at Shanghai would be displayed in the passes and mountains of Jehol. The Japanese themselves expected that their capture of Chengteh would be delayed until March 10. Day by day, however, the Japanese pressed on, smashed the mountain defenses in front of Chihfeng and Lingyuan and occupied the capital city without firing a shot on the morning of March 4, a week ahead of their own schedule. A few hours earlier Governor Tang had fled from his capital, first taking care to send away his personal effects in 242 army trucks commandeered for the purpose. Upon learning of this turn of events the military council in Peiping ordered Tang's arrest and in Nanking crowds cried out for his blood, but Tang was not to be found. The road from Chengteh to the Kupei pass leading to Peiping was crowded with automobiles, trucks, rickshaws, wheelbarrows and refugees

on foot. Marshal Chang, in characteristic fashion, sent reinforcements of his regulars to Kupei and even beyond, not to fight the Japanese but to check the flight of the Jehol volunteers.

Meanwhile, the Japanese columns were pushing on toward their main objective, the Great Wall, which still lay ahead. As the Chinese forces still in Jehol were without orders or supplies there seemed every likelihood that the Japanese would soon establish themselves along the wall and then devote their efforts to dispersing the numerous bands of irregulars that were left behind in the main drive. Marshal Chang has some 20,000 of his best troops in the region of Kupei pass, but whether he will choose to jeopardize them in the face of a concentrated Japanese attack remains to be seen.

It was premature, as this was being written, to forecast whether Japanese action would extend beyond the Great Wall. Even with the frontier at the wall some 2,100 square miles of Hopei Province lying to the north of it will have been added to Manchukuo. But Japanese Army spokesmen are reported to have declared that Japan has no intention to proceed beyond the wall unless compelled to do so for the protection of Japanese who live in Peiping and Tientsin. North China was tense, however; palace treasures were removed from Peiping to Nanking and Japanese air demonstrations were feared and expected.

In Peiping the débâcle in Jehol was largely attributed to the unpopularity of Governor Tang's administration, because the Japanese were assisted in crossing the mountainous country by the disgruntled peasantry. But perhaps all the blame should not be borne



The Province of Jehol

by Tang. As yet it is impossible to say how extensively Marshal Chang Hsiao-liang's reputedly efficient regular troops have been engaged against the Japanese. And if Marshal Chang's aid to the defenders of Jehol appears to have been of little value, there has certainly been no real cooperation between the Nanking Government and the Northern Generals in opposing the invasion. On Feb. 27, Marshal Chiang Kai-shek announced that he would remain in the South lest his presence in Peiping or in Jehol should give the Northern commanders grounds for jealousy. It was only after the damage had been done and the Japanese objectives practically obtained that Chiang, on March 7, flew to Peiping to confer with Marshal Chang and other leaders.

THE BRITISH ARMS EMBARGO

The prompt action of the British Government, announced in the House of Commons on Feb. 27, in laying an embargo on arms to both Japan and China, brought to a focus all the tangled questions involved in the difference between neutrality and coercion

in the Far East. There are three choices: (1) To forbid the supply of arms to both belligerents as the British Government has done; (2) to take no action whatever; and (3) to cut off Japan. The last course is to adopt a coercive measure against the State which has been so conspicuously censured by the Assembly of the League of Nations. Either of the other courses comprises a policy of impartiality, that is, neutrality.

At first glance there seems to be no little inconsistency in British policy. One day at Geneva Britain joins in a vote of censure against Japan; a few days later she adopts a policy which actually favors the power censured. Japan, a highly industrialized and militarized nation, is far better able than China to carry on warfare without the purchase of arms from abroad. Sir John Simon's explanation, however, is fairly simple: "For a single nation, situated as we are in the Far East, it is impossible to take discriminatory action." The reference is interpreted to refer to British interests in China, and especially to the relatively exposed position of Hongkong, which, with only seven British cruisers in Far Eastern waters and Singapore 2,000 miles away, would be practically defenseless if Japan were to interpret an embargo against her alone as a hostile act. The British action is represented as emergency in character and there is a hint that it might subsequently be changed, provided an international agreement can be reached.

Japan has already purchased in England two famous White Star liners, the *Baltic* and the *Megantic*. The sales contract specified that they might be used only for scrap, but whether they are broken up and used for new war materials or for transports, they assist a belligerent just the same. In all, no less than seven former British vessels are on their way to Japan, or have already reached their destination. In 1932 both Japan and China made considerable purchases of ex-

plosives, machine guns and cartridges. In Chile, Japan is seeking to purchase nitrates from the bankrupt Cosach. Japan has also been a heavy purchaser of scrap iron in the United States and has secured at least one such cargo in New Zealand. China is reported to be in the market for 1,700 war planes.

The inclination of the outgoing American administration was also a policy of neutrality, but quite different from that of the British Government. The attitude of the American Government, in so far as the sentiment can be interpreted from statements both from the State Department and by Congressional leaders, is that no embargo should be employed. In effect, this is a policy more friendly to China, which now has a better international credit rating than Japan.

It will be very difficult to find a common denominator of international action which will reconcile present British policy with American sympathies. The American position is exposed to the criticism that it repeats the policy of neutrality which, adopted in 1914, subsequently drew the American Government into the war on the side of the powers which controlled the sea. On the other hand, a policy of coercion directed against Japan—such as would have been possible for the United States if the embargo joint resolution recommended by the administration, but blocked in Congress, had been adopted—could be interpreted by Japan as an unneutral act equivalent to the creation of a state of war. This view is strongly presented by Professor Edwin M. Borchard in a communication in *The New York Herald Tribune*. The communication, although dated Feb. 16, was not published until March 1. "The idea that the peace of the world is promoted by combining against an 'aggressor' is believed false from every point of view," declared Professor Borchard. The latter also labels as "a deplorable view" the suggestion that the old conception of neutrality

does not apply when large nations are involved in war.

As the situation now stands, the action of Great Britain makes it unlikely that she will be drawn into the conflict. The American Government, on the other hand, by taking no action is exposed to the danger that Japan will blockade some or all of the Chinese ports and thus raise in America the emotional issue of "neutral rights" and "freedom of the seas."

The British embargo bears out the interpretation already given as to the meaning of the vote of censure at Geneva. Regardless of what the report of the Committee of Nineteen stated as to the aggressive character of Japanese action in China, the Assembly was less interested in that than in the aggressive attitude of Japan toward the League of Nations. As so often bluntly pointed out by Sir John Simon, in the quarrel between China and Japan there has been provocation on both sides. British neutrality is in harmony with that view. But between Japan and the League, the provocation has been all from the Japanese.

JAPANESE FINANCES

So serious is the present financial condition of Japan, in the opinion of George E. Anderson, *New York Herald Tribune* financial expert on the Far East, that the invocation of economic sanctions by the League "doubtless would bring about a prompt financial collapse in the Mikado's empire." Even without the Chinese boycott, the course of financial affairs would give cause for much concern. The extreme limit of national indebtedness which Japan can handle with reasonable safety has been estimated at 6,000,000,000 yen (at par the yen is worth 49.85 cents). Mr. Anderson estimates that the debt is now equivalent to practically 8,000,000,000 yen, in part because the service on the foreign debt has to be in gold. The interest charges alone on this huge sum are about 475,000,000 yen—roughly

59 per cent of the estimated tax revenues and not quite two-thirds of the national income. The appropriations already made for the army and navy for the coming year amount to 100,000,000 yen more than the estimated revenues. Recently the public has shown a marked reluctance to absorb new bond issues; meanwhile, the foreign money markets are closed.

The stock market slumped so much during the last efforts of the Committee of Nineteen to effect conciliation between China and Japan that the Japanese Exchanges were closed on Feb. 15. Since Jan. 1 Stock Exchange averages have gone off about 30 per cent. On Feb. 21 Japanese 6½s touched a new low in Wall Street at 45¼, while the 5½s went to 35½. Government guaranteed bonds in some instances were even lower. Most of these bonds were originally issued in New York at prices ranging from 89½ to 93½.

RADICALISM IN JAPAN

So frequent are the references to a possible political upheaval in Japan that the subject deserves mention. Radicalism in Japan is of two sorts—"Redism," to coin a word, and fascism. The two movements are quite contrary to each other and of very unequal importance. There is no evidence of an important Communist movement, though communism to a slight extent exists in the universities and in some labor circles. In 1932 there were nearly 7,000 arrests of alleged Communist sympathizers, including a judge of the Tokyo District Court, two professors in government universities, several high school teachers and many students from well known or wealthy families. When reference is made to a possible political change in Japan, however, it is not a Red revolution which seems possible. A political upheaval would, more probably, be Fascist in character, a consolidation of the army and the peasants against the capitalists, with a view to the increase of the power of the mili-

tary in domestic administration. In other words, the first result, at least, of revolution in Japan would probably strengthen, not repudiate, Japanese imperialism in China. The world will have to wait a long time for Japanese liberalism to become an effective ally for international peace.

THE JAPANESE MANDATES

The question of the Japanese mandates continued during the past month to hold attention. If Japan is, as some believe, creating a submarine and seaplane base at Saipan, Marianne Group, this is a violation of the mandate and also of the Nine-Power Treaty. If Japan definitely should withdraw from the League, the question would be raised whether she might retain possession of the mandated islands. The question is a complicated legal one, but vastly more complicated in its political phases.

Japan advances the legal view that her rights to the mandated islands are derived from the Treaty of Versailles, and that the latter merely gave effect to the secret treaty made during the war for the distribution of the German colonies. The mandate to Japan was actually given by decision of the Supreme Council on May 7, 1919. At the time the American Government protested against the in-

clusion of Yap in the mandate, a question which was not settled until 1921, when at the Washington Conference the United States and Japan signed a treaty in which Japan confirmed to the United States certain rights in the mandated islands, among those rights being the provision that there should be no military or naval bases. It is clear that the United States possesses in the Japanese mandate whatever rights the members of the League, or the League itself, may possess. Under the terms of the mandate Japan is engaged to submit to the World Court any unnegotiable dispute between the mandatory and the League over the interpretation and application of the mandate.

The political question is obvious. On the assumption that it were to be established that Japan has violated the mandate and, further, that the League has legal authority to take the mandate away from Japan, what military authority exists which could take possession if Japan opposed League action by military force? Furthermore, to what State, or group of States, could the islands be re-assigned? Or, can the League administer such a charge? The Japanese Government has already made plain that it would resist an effort at dis-possession.